clc96000418
(cont.)

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Barcode Number	Box Number	Total of Volumes	Call Number
LIBRARY OF CONGRESS 0 021 174 168 5	486K-1	14	HC 60.5 (1962-1964) no. 1-14
LIBRARY OF CONGRESS 0 021 174 169 7	486K-2	7	HC 60.5 (1964-1965) no. 15-21
LIBRARY OF CONGRESS 0 021 174 170 3	486L-1	18	HC 60.5 (1962-1964) no. 1-18
LIBRARY OF CONGRESS 0 021 174 171 5	486L-2	5	HC 60.5 (1964-1966) no. 19-23
LIBRARY OF CONGRESS 0 021 174 172 7	486M	15	HC 60.5 (1962-1964) no. 1-15
LIBRARY OF CONGRESS 0 021 174 173 9	486N	22	HC 60.5 (1961-1964) no. 1-22
LIBRARY OF CONGRESS 0 021 174 174 0	486O	15	HC 60.5 (1962-1966) no. 1-15
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Barcode Number	Box Number	Total of Volumes	Call Number
LIBRARY OF CONGRESS 0 021 174 176 4	487	73	HC101.B3-HC101.I5
LIBRARY OF CONGRESS 0 021 174 986 6	487A ~~488A~~	16 ~~23~~	HC101.I5 no. 1-16 ~~H11.E5-H183~~
LIBRARY OF CONGRESS 0 021 174 177 6	488	22	HC102.5.W5-HC106.3.N2
LIBRARY OF CONGRESS 0 021 174 178 8	489	11	HC106.4-HC107.V8A3 no. 11
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	~~489B-2~~	~~26~~	~~H273.29-H273.I55~~
LIBRARY OF CONGRESS 0 021 174 179 A	490	12	HC107.V8A3 (1960-1961) no. 1-12
LIBRARY OF CONGRESS 0 021 174 180 6	491	7	HC107.A8-HC107.V8A3 no. 7

X-HC10D
B 3
#1

BSON'S REPORTS, inc.
For Bankers

December 23, 1912

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

The list given below represents our selection of names from each list of Commercial Paper Offerings received to-day. We recommend these names for the given maturities. Owing to present fundamental business conditions, we do not now recommend them for longer maturities. If, later, we still deem them desirable, these names will be repeated. Therefore, subscribers should always refer to the latest list issued, which is never more than one week old.

We are obliged to limit our selection to one or two names from each list each week and, therefore, if a name is not in this list it does not signify that we do not recommend its paper.

The names of the brokers are arranged alphabetically. The rates given are more or less nominal. For exact rate communicate with the brokers offering the paper.

"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at 6% or less	OUR CHOICE at about 6 1-4%	OUR CHOICE at 6 1-2% or more
Blake Bros. & Co.	871E-June		
Bond & Goodwin	566-June		
Geo. H. Burr & Co.	1221-June		
Curtis & Sanger			575E-Apr-May
Edgerly & Crocker	132E-Apr-May		
W. O. Gay & Co.	629E-June 594-Apr.		
Goldman, Sachs & Co.			938-May
Hathaway, Smith, Folds & Co.	138-June		
J. S. Moseley & Co.		587E-June 941-June	
E. Naumburg & Co.	773-May		
Weil, Farrell & Co.		957E-June	

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BABSON'S REPORTS inc.
For Bankers

December 30, 1912

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

The list given below represents our selection of names from each list of Commercial Paper Offerings received to-day. We recommend these names for the given maturities. Owing to present fundamental business conditions, we do not now recommend them for longer maturities. If, later, we still deem them desirable, these names will be repeated. Therefore, subscribers should always refer to the latest list issued, which is never more than one week old.

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BROKERS' LIST	OUR CHOICE at 5 3-4% or less	OUR CHOICE at about 6%	OUR CHOICE at 6 1-4% or more
Blake Bros. & Co.		871E-June	
Bond & Goodwin		566-June 428E-June 237E-May	
Geo. H. Burr & Co.		1552-May	
Geo. O. Currier & Sons		410-June	
Curtis & Sanger		859E-Apr-June 575E-Apr-May	
Edgerly & Crocker		1635E-Apr-June 63E-June	
W. O. Gay & Co.		23E-June 843E-May	
Goldman, Sachs & Co.		971-July	
Hathaway, Smith, Folds & Co.		138-May-June	
Loring, Tolman & Tupper		(Send for their list)	
F. S. Moseley & Co.		960E-May-June 316E-June 911E-June	
E. Naumburg & Co.		431-May 1655-May	
Weil, Farrell & Co.		926E-June	

X-HC 101
.B3
#3
X- NOVEMBER 21, 1912
B 3

BABSON'S REPORTS
For Credit Men

November 21, 1912

THE PRESENT SITUATION*
Iron and Steel

Issued as a part of our
Mercantile Service

There was obvious attempt to be little in advance the importance of the national political election as a business factor; and there has since been little change in the attitude of those who write and speak upon the subject, albeit one sees or hears occasionally some reference to the possibility or likelihood that tariff tinkering or radical reconstruction of the principal schedules will be undertaken and prove more or less disturbing. It is not forgotten how an expert and prominent steel manufacturer remarked that he would have to close up shop without a protective tariff, and how men more prominent even than he, predicted dire consequences to follow the supremacy of the party elected to power on the 5th ult. The chief point discussed since the election has related to the convening of the extra session of Congress to carry out the pledges of the majority party in its declared platform.

Published opinion upon this subject has been at variance, but there is little doubt that Congress, once assembled, will in all likelihood open the floodgates for the revival of old and presentation of new bills designed to achieve all manner of ends, and particularly to deal with tariff matters and the trusts. The President-elect has signified a purpose to interrupt the course of those who abuse special privileges. That the Steel Corporation will be included in the list is at least a fair surmise. What may be attempted in the way of curbing the offensive trusts, through the tariff or otherwise, is likely to have quite as much effect upon business as what is accomplished in that direction. In other words, the "bark" may be worse than the "bite." Nevertheless, it will not be well to ignore the influence of the "bark" upon the iron and steel industry.

It must have been obvious that while prices for all forms of iron and steel materials and products have risen considerably, there has been nothing like the uplift in prices witnessed in the olden days when no danger existed of the tearing down of the tariff wall or of punishment being administered for securing huge profits on the stock of over-capitalized corporations. The steel magnates are clearly cautious or afraid,—perhaps cautious *because* afraid—either that their margin in prices will be lessened by legislation or that a too hasty rise in prices will curtail demand for their products, or else precipitate a runaway movement to the detriment of the industry. In any case, there will be a restiveness among legislators that will bode no good to business in general and to the wool and iron industries in particular.

Why, under these circumstances, there should have been so great rush to file orders with the steel and iron mills and their auxiliaries, as was indicated by the latest returns of the Steel Corporation, it is not easy to understand, for orders are reported filed that cannot be executed before the third quarter of 1913. There are intimations that the Steel Corporation is getting more than its accustomed proportion of the business at present and will likely be shown to have done 57 to 58% of all the business in 1913, against 54% last year. Whether in this fact there will exist occasion for price cutting is an open question.

The claim is put forth that the iron and allied mills of the United States can compete with similar establishments abroad regardless of protective duties; and that there is some ground for this claim the steady increase in exports is in evidence. But that evidence is not wholly convincing, and it is probable that the managers of some of the steel mills will appeal to Congress not to harm a flourishing industry by lessening the protection against the products of cheap labor in foreign lands. Moreover, a lower duty on iron and steel manufactures should be expected, a reduction calculated to bring lower prices to customers of the mills, unless there shall be an agreement to maintain prices, and unless the customers crowd one another in registering future wants.

For these reasons, therefore, and for others that need not be here enumerated, clients who are handling or using the product of the steel mills should be careful not to stock up very far ahead. It is wiser for them to supply nearby wants and await developments.

*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses because the short swings are governed by other than fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess; and it is for this reason that I submit this report.—*Roger W. Babson.*

#4 X-HG101 B3

BABSON'S REPORTS
For Investors

Decembr, 1912

THE PRESENT SITUATION*

Securities for Permanent Investment

Issued as part of our

Investment Service

The speculators have had a market of liquidation recently, and a dull market at that. Whether it regrets the fact of declining prices more than the presence of dullness is perhaps debatable. Dullness has been chronic for a very long while, and anything that would relieve it would confer a distinct benefit upon most of the commission houses. Liquidation might afford some relief if continued for a considerable time at an active pace, but prolonged liquidation would mean materially lower prices, and only bears and professional traders welcome that sort of thing. Wall Street commission houses have maintained expensive plants for the transaction of business for many years, expenses in sundry instances being estimated at at least $1,000 a day, and the facilities being maintained in expectation that the speculative tide would turn and that the facilities would be put to full use and attract a desirable class of customers.

Now it takes a good many transactions in shares at $12.50 per hundred to earn $1,000 commission, and dealings must average 8,000 shares per day before profits begin to show. There are some 1,100 members of the New York Stock Exchange, and if each member had to meet running expenses of $1,000 per day it is easy to figure what amount of business would have to be done to keep going. Of course few houses maintain such expensive plants, and those that do, probably do the bulk of the limited business being transacted, a fact suggestive as to the position of the small establishments in these dull times. To be sure, some of the commission houses do a counter bond business on which something may be earned, and there are occasions when there are underwriting profits to be had. These, however, have been few for some time, and most of the commission houses in New York, and in other cities, have grown weary of popular indifference to speculative opportunities.

A close student of speculative affairs observes that the character of the stock business has certainly changed, in that there is much less trading on margin than formerly, while purchasers of stocks pay for them outright or finance purchases themselves to a much greater extent than heretofore. This, the close student says, is likely to be permanent, and calls for a different machinery and perhaps less costly. These things are here mentioned as being calculated to answer queries upon this same subject raised in a recent issue of this service, and as indicating what the real situation is in the leading speculative market of the country. What is true of Wall Street is, perhaps, similarly true of stock exchange communities generally in this country; and as for European Bourses, a Paris cable says the markets there are hesitating even though money is in ample supply. Foreign Bourses appear to be watching political events and have an eye upon the movement of gold towards New York.

Wall Street had hoped to derive an advantage from the free purchase of gold in London for New York account, but failed to get it. Then it reasoned that the monetary tension would soon be relaxed by means of the return of money from the interior, for as it talked, it noted the charge of a premium on New York funds at Chicago. That is, indeed, a sign of the return flow of money ere long, though whether such return would help matters particularly in Wall Street is open to question. The chance of monetary relief from another source was likewise canvassed in connection with the report of the Secretary of the National Treasury, who admitted that the funds in the treasury belonged to the public and that the surplus should be available for the use of business when occasion should be such as to call for it. Notwithstanding this, the Secretary expressed disinclination to conclude that such a situation had lately arisen. (12)

*Personally I am interested only in the long swings of three or more years, and believe that neither I nor any one else knows what the stock market will do in the immediate future. I therefore trust that my clients will avoid risk and wait to invest in stocks until there is a distinct slump. When this time comes I will definitely advise in the Barometer Letters which will contain all information relative to the long swings. However, it does no harm to read a review of the immediate situation, such as this two weeks. I therefore submit this one, believing it to be written by the leading disinterested stock market expert in the country, and one who has been remarkably successful in his forecasts of the immediate future. Meanwhile, the securities which are recommended from time to time on the third and fourth pages are attractive purchases at the prices named, and that ultimately they should show a good profit. They may sell lower after we advise their purchase and higher after we advise their sale, but clients who have followed these letters have invariably made money. Therefore, although in order to pay for this service and keep the mind occupied, clients are justified in backing these suggestions with a portion of their funds, yet the greater portion of one's money should still be kept in liquid form for use in distinct slumps, which will give far greater rewardthan can in any other way be obtained. (The list of bonds this week, however is not selected for profit in buying and selling, but is given as a more or less permanent investment.)—*Roger W. Babson.*

X-HC101
B 3 #5

BABSON'S REPORTS, inc.
For Investors

December, 1912

THE PRESENT SITUATION*

United States Steel Corporation

Issued as part of our

Investment Service

The present dominating forces in the world of finance include those which are incidental to the close of the old year and the commencement of the new. Uncertainty always attends the transition, uncertainty as to the ability of more or less concerns to make the turn successfully, and uncertainty as to the rates to be charged for money in the last days before annual settlements are due, and in the weeks before funds will be redistributed. Nearly a quarter of a billion of dollars will be paid out in interest and dividends in the immediate future, and it would be ordinarily expected that much of the money would be put into stocks and bonds in advance of the actual payment to investors next month.

The evidence of such advance application of the funds is extremely meagre, and why it is so is easy to discern. The management of the New York Stock Exchange is on the defensive, and finds occasion to speak in its own behalf, after representatives of the body have responded more or less candidly to the interrogatories of counsel for a Congressional investigating committee regarding methods and practices of the Exchange. True, the witnesses referred to have said little or nothing that was not well understood before by individuals, but the admissions have affixed the seal of authenticity to what was understood, and the whole has been told openly to the public with the result that the public must understand better the risk which it takes when it dabbles in securities on the stock exchanges.

Then, the most brilliant of the money getters and money lenders in the land has been before the committee, and with great apparent frankness has admitted facts regarding the concentration of wealth in money in the hands of comparatively few people and institutions, and correlated facts as to its use, seeking in most or all instances to justify practices that many men look upon as dangerous to the common weal. The distinguished witness scouted the idea of a money trust, but did not appear to deny the existence of a community of interest possessed of resources and ability to do everything that such a trust could accomplish if it were an admitted fact. Interlocking directors controlling billions of bank and other money deposits comprise such community of interest.

It is a good thing that publicity is given to these matters. Up and down the land are many thousands of investors with money to commit to worthy enterprises, enterprises calculated to perform a public service and obligated to the public by virtue of the chartered permission to discharge the functions with which they are clothed. It is well for these investors to understand whether these enterprises are organized and operated fairly and properly for the public good, or whether they are organized in a large sense to increase the wealth of money lenders and certain rich investors comprising a community of interest. If, as has been the situation in the last few years, corporation credit is so poor that recourse is had to the emission of notes, instead of stocks or bonds, then is there frequent borrowing and a multiplicity of commissions. Whether the times be good or bad, whether the credit good or poor, the times are good to the money lender, or in other words, he gets the commissions, and the poorer the credit,—that is, the less the ability to pay—the larger the commission is likely to be.

*Personally I am interested only in the long swings of three or more years, and believe that neither I nor any one else knows what the stock market will do in the immediate future. I therefore trust that my clients will avoid risk and wait to invest in stocks until there is a distinct slump. When this time comes I will definitely advise in the Barometer Letters which will contain all information relative to the long swings. However, it does no harm to read a review of the immediate situation once in two weeks. I therefore submit this one, believing it to be written by the leading disinterested stock market expert in America, who, moreover, gives this organization his exclusive services. My Engineering Department believes the securities which are recommended from time to time on the third and fourth pages are attractive purchases at the prices named, and that ultimately they should show a good profit. They may sell lower after we advise their purchase and higher

Babson's reports inc

X-HC101
B 3

#6

WHAT TO BUY TODAY

Bargains from the London Panic

Issued as a part of our

Banking Service

The principal "offerings" of last week, was not that of any bond issue or note issue, but the offering for sale of high grade American stocks by London holders thereof. As money is not very plentiful in this country, the London bankers were obliged to force sales which went at low prices. Good American stocks dropped from 2 to 12 points and some actual bargains existed for the time being.

As we have repeatedly said in our Barometer Letters, the time has not yet come for the *speculator* to buy stocks. These blue sheets, however, are for the man who wishes to invest his money each month, as it accumulates, and thus desires us to answer each week this question: *"If you were told to buy something to-day—considering only security and yield—what would you buy?"* Last week we advised the purchase of Chicago, Milwaukee & St. Paul Ry. bonds; but this week we advise buying a few good stocks, even although they may sell lower later.

A study of the regular weekly plot combined with a study of other plots makes us believe that the time may have arrived for the permanent investor to begin to buy certain stocks. It will be seen that the average of our 32 stocks is now almost as low as at any time since the panic of 1907-08; while the list given below averages lower even than during that panic.

As we have continually stated, the American situation is not so much overstrained as in 1906-07; and the study of fundamental conditions is much more general. Both of these factors should prevent the average of the 32 stocks from now going nearly as low as in 1907-08, although these average prices should go lower than at present. Hence, we believe that permanent investors are now justified in making purchases on days when affairs look dark and gloomy. We especially recommend that some of the following stocks be purchased at once at the market price, although purchases distributed over the whole list insures one a profit by the movement of the average.

	APPROXIMATE	
	Present Price	*Nov. 21,* 1907
* Great No. Ry Co 7% Stock and one Ore Cert	155	149
Northern Pacific Ry Co 7% Stock	113	103⅝
Louisville & Nashville R R Co 7% Stock	131	85
Illinois Central R. R. Co. 7% Stock	112	118½
Boston Elevated Ry. 6% Stock	88	116
Chicago & Northwestern R. R. Co. Com. 7% Stock	128	128½
N. Y., N. H. & Hartford 6% Stock	105	135
Pitts., Cinn., Chic. & St. L. Com. 5% Stock or	93	53
Pennsylvania R. R. Co. 6% Stock	107	106½
American Express Company 12% Stock	156	175

At the present rate of dividends these stocks would yield about 5.9% on the investment. The railroad stocks in this list represent the cream of American railroads, and the other two are stocks of real merit. The American Express Company may gradually go out of the express business, but they have the assets and organization for developing the greatest distributing wholesale and commission business the world has ever seen. The Boston Elevated is only suffering from the "pangs of growth" and will some day again be valuable.

In fact the only time to buy stocks is when they look unattractive to the average mortal. When stocks are in favor, buy only bonds; but on dark days when brokers and press are pessimistic, then buy good stocks.

BABSON'S.

X-HC101
B 3
#7

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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The names of the brokers are arranged alphabetically. The rates given are more or less nominal. For exact rate communicate with the brokers offering the paper.

"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at 5%-5 1-2%	OUR CHOICE at 5 1-2%-6%
Blake Bros. & Co.		189E-June
Bond & Goodwin		428E-June
Geo. H. Burr & Co.		1552-May
Geo. O. Currier & Sons		410-July
Curtis & Sanger		373-July 642-July
Edgerly & Crooker		952E-July 63E-June-July
W. O. Gay & Co.		306E-June 629E-July
Goldman, Sachs & Co.		349E-July
Hathaway, Smith, Folds & Co.		138-May-June
Loring, Tolman & Tupper		(Send for their list)
F. S. Moseley & Co.		931-July 488-July
E. Naumburg & Co.		1655-June
Weil, Farrell & Co.		926E-June

X-HC101
B 3

#8

BABSON'S REPORTS, Inc
For Bankers

January 13, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

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BROKERS' LIST	OUR CHOICE at about 5%	OUR CHOICE at 5 1-4%-5 1-2%-
Blake Bros. & Co.	871E-July	
Bond & Goodwin	566-July 435-June-July	
Geo. O. Currier & Sons	410-July	
Curtis & Sanger	275-July	575-July
Edgerly & Crocker	63E-June-July	
W. O. Gay & Co.	23E-May	843E-June
Goldman, Sachs & Co.	327-June	
Hathaway, Smith, Folds & Co.	711-July 718-July	
Loring, Tolman & Tupper	(Send for their list)	
F. S. Moseley & Co.	488-July	
E. Naumburg & Co.	1431-May-June	
Weil, Farrell & Co.	926E-July	

X-HC101
B 3

#9

BABSON'S REPORTS, Inc.
" For Bankers

January 20, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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The names of the brokers are arranged alphabetically. The rates given are more or less nominal. For exact rate communicate with the brokers offering the paper.

"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at about 4 1-2%	OUR CHOICE at about 4 3-4%-5	OUR CHOICE at about 5%
Blake Bros. & Co.	189-July		
Bond & Goodwin		370E-July *1680-May	
Geo. H. Burr	663-July 553-July		
Geo. O. Currier & Sons	410-July		
Curtis & Sanger	308E-July		859E-July
Edgerly & Crocker			132E-June-July
W. O. Gay & Co.			613E-June-July 629E-June-July
Goldman, Sachs & Co.	971-June		
Hathaway, Smith, Folds & Co.	375-June		
F. S. Moseley & Co.			808-July
E. Naumburg & Co.	906-June-July		
Weil, Farrell & Co.	926E-July		

*1680-D. Goff & Sons, Pawtucket, R. I.

X-HC101 #10
B 3

BABSON'S REPORTS inc.
" For Bankers

January 27, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at about 4 1-2%	OUR CHOICE at about 4 3-4%	OUR CHOICE at about 5%
Blake Bros. & Co.	871E-Aug.		
Bond & Goodwin	*1681-June-July		
Geo. H. Burr	1552-July		
Curtis & Sanger	308E-July		575E-July
Edgerly & Crocker			132E-May-June
W. O. Gay & Co.			629E-July 613E-June
Goldman, Sachs & Co.	971-Sept. 327-Aug.		
Hathaway, Smith, Folds & Co.		139-July	
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	587-July 78-July		
E. Naumburg & Co.	431-July		
Weil, Farrell & Co.	1299-May		

*1681-Rogers Lumber Co., Minneapolis.

X-HC101
B 3 #11

BABSON'S REPORTS, inc
" For Bankers

February 3, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

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"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at about 4 1-2%	OUR CHOICE at about 4 3-4%	OUR CHOICE at about 5%
Blake Bros. & Co.	189E-July		
Bond & Goodwin	*1682-May		
Geo. H. Burr	717-July		
Geo. O. Currier & Sons	410-July		
Curtis & Sanger	922-July		515-May
Edgerly & Crocker			132E-May-June
W. O. Gay & Co.		613E-June-July	
Goldman, Sachs & Co.	971-Sept.		
Hathaway, Smith, Folds & Co.	138-July		
Hollingshead & Campbell	811-July		
F. S. Moseley & Co.	587-Aug.	808-July	
E. Naumburg & Co.	431-July		
Weil, Farrell & Co.	955-July		

*1682-Canadian Car & Foundry Co., Montreal.

X-HC101
B 3
#12

BABSON'S REPORTS, inc.
" For Bankers

February 10, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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The names of the brokers are arranged alphabetically. The rates given are more or less nominal. For exact rate communicate with the brokers offering the paper.

"E" indicates that the paper is endorsed.

BROKERS' LIST	OUR CHOICE at about 4 1-2%	OUR CHOICE at about 4 3-4%	OUR CHOICE at about 5%
Blake Bros. & Co.	871E-July		
Bond & Goodwin		435-July	
Geo. H. Burr	553-Aug.		
Curtis & Sanger		373-Aug.	163-June
Edgerly & Crocker			1635E-July-Aug.
W. O. Gay & Co.	23E-May	629E-Aug.	
Goldman, Sachs & Co.	327-July		
Hathaway, Smith, Folds & Co.		711-June-July	
Loring, Tolman & Co.	(Send for their list)		
F. S. Moseley & Co.	41-Aug.	488-Aug.	587E-Aug.
E. Naumburg & Co.	431-Aug.		
Weil, Farrell & Co.	1166-Aug.		

X-HCIOI
B 3
#113

BABSON'S REPORTS, Inc.
" For Bankers

February 17, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 4 1-2%	OUR CHOICE at about 4 3-4%	OUR CHOICE at about 5%
Blake Bros. & Co.		189-July	
Bond & Goodwin			435-July
Geo. H. Burr			1552-July
Geo. O. Currier & Sons		410-Aug.	
Curtis & Sanger			373-Aug. 482-June
Edgerly & Crocker			132-May 270-Aug.
F. O. Gay & Co.		23E-May	
Goldman, Sachs & Co.		1-July	
Hathaway, Smith, Folds & Co.		138-Aug.	
Hollingshead & Campbell			1433-July-Aug.
Loring, Tolman & Co.	(Send for their list)		
J. S. Moseley & Co.			587-Aug. 808-Aug.
J. Naumburg & Co.		431E-Aug. 870-Aug.	

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B 3 #14

BABSON'S REPORTS, Inc
" For Bankers

March 3, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5%	OUR CHOICE at about 5 1/4%	OUR CHOICE at about 5 1/2%
Blake Bros. & Co.	921E-Aug-Sept. 189E-July		
Bond & Goodwin	566-Aug.		
Geo. H. Burr	553-Aug. 663-Aug.		
Geo. O. Currier & Sons	410-Sept.		
Curtis & Sanger		482E-June	
Edgerly & Crocker		270-Aug.	
W. O. Gay & Co.	23E-May	629E-June-Aug.	
Goldman, Sachs & Co.	971-Sept-Oct. 830E-May		
Hathaway, Smith, Folds & Co.			139-Aug.
Hollingshead & Campbell	927-Aug.		
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	41-Sept. 156-Sept.	488-Sept. 311-Sept.	
E. Naumburg & Co.	431-July-Aug.		
Weil, Farrell & Co.	1324-Aug.		

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B 3 #15

BABSON'S REPORTS
" For Bankers

March 10, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5%	OUR CHOICE at about 5 1/4%	OUR CHOICE at about 5 1/2%
Blake Bros. & Co.			871-Aug.
Bond & Goodwin			355-Aug.
Geo. H. Burr			717-Aug.
Curtis & Sanger			373-Sept. 163-June
Edgerly & Crocker			1635-July-Aug.
W. O. Gay & Co.		594-July	
Goldman, Sachs & Co.			327-Aug.
Hathaway, Smith, Folds & Co.			138-Aug.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.			1118-Sept.
E. Naumburg & Co.			431-Aug-Sept.
Weil, Farrell & Co.		1166-Aug.	

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#116

BABSON'S REPORTS, inc
" For Bankers

March 17, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.		189E-Aug.	
Bond & Goodwin		428-July-Sept.	
Geo. H. Burr			553-Aug.
Geo. O. Currier & Sons		410-Sept.	
Curtis & Sanger			373-Sept.
Edgerly & Crocker		952E-Sept.	
W. O. Gay & Co.	23E-Sept.	629E-Aug-Sept.	
Goldman, Sachs & Co.	971-Oct.		
Hathaway, Smith, Folds & Co.			537-Sept.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.		1118-Sept.	
E. Naumburg & Co.			592-July

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#17

BABSON'S REPORTS, inc
" For Bankers

March 24, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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The names of the brokers are arranged alphabetically. The rates given are more or less nominal. For exact rate communicate with the brokers offering the paper.

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.			871E-July-Aug-Sept.
Bond & Goodwin			428E-July-Sept.
Geo. H. Burr			717-Sept.
Curtis & Sanger			373-Sept.
Edgerly & Crocker			1635E-July-Aug.
W. O. Gay & Co.			594-July 629E-Aug-Sept.
Goldman, Sachs & Co.			111-Sept.
Hollingshead & Campbell			1433-Sept.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.			911E-Sept. 316E-Aug-Sept.
E. Naumburg & Co.			431-Sept.
Weil, Farrell & Co.			1166-Aug.

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#18

BABSON'S REPORTS, inc.
" For Bankers

March 31, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.			437-Sept.
Bond & Goodwin			1364-Sept.
Geo. H. Burr			1326-Sept.
Geo. O. Currier & Sons			967-Sept.
Curtis & Sanger			867-Sept.
Edgerly & Crooker			1086E-Sept.
W. O. Gay & Co.			1425-July
Goldman, Sachs & Co.			723-Aug.
Hollingshead & Campbell			1592-Sept.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.			379-Aug-Sept. 1406E-Sept.
E. Naumburg & Co.			1034-Aug-Sept.
Weil, Farrell & Co.			1305-July-Aug.

X-HC101
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#19

BABSON'S REPORTS, Inc.
For Bankers

April 7, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.		437E-Sept.	2081E-Aug-Sept.
Bond & Goodwin			152-Sept-Oct.
Geo. H. Burr & Co.	57-Oct.		
Curtis & Sanger			1603-Aug. 867-Sept.
Edgerly & Crocker			942E-July-Aug. 1086E-Sept-Oct.
W. O. Gay & Co.			1493E-Aug.
Goldman, Sachs & Co.			1472-Aug.
Hathaway, Smith, Folds & Co.			1561E-Oct.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	369-Oct.	1173-Oct.	
Weil, Farrell & Co.			1305-July-Aug.

SPECIAL NOTE:—The above numbers refer to the New Key which has been sent you.

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BABSON'S REPORTS, inc.
For Bankers

April 14, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.	437E-Sept.	2081E-Oct.	
Bond & Goodwin			152-Sept.
Geo. H. Burr & Co.	188-Sept.		
Geo. O. Currier & Sons		967-Oct.	
Curtis & Sanger			867-Oct. 1382E-Oct.
Edgerly & Crooker			942E-July-Aug.
W. O. Gay & Co.			1493E-Aug.
Goldman, Sachs & Co.		1472-Oct.	
Hollingshead & Campbell			695-Oct.
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	1313E-Sept. 1662-Sept.	379-Sept.	
E. Naumburg & Co.	1034-Aug-Sept.		
Weil, Farrell & Co.			1305-Aug.

SPECIAL NOTE:—The above numbers refer to the New Key which has been sent you.

X-HC101

#21

BABSON'S REPORTS
" For Bankers

April 21, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

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BROKERS' LIST	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%	OUR CHOICE at about 6%
Blake Bros. & Co.	2081E-Aug.-Oct.		
Bond & Goodwin	1364-Oct.		
Geo. H. Burr & Co.	57-Oct.		
Geo.O.Currier & Sons		967-Oct.	
Curtis & Sanger	869-Oct.	2058E-Oct.	
Edgerly & Crocker	942E-July-Aug.		
W. O. Gay & Co.			1493E-Aug.-Oct.
Goldman, Sachs & Co.			275-Oct.
Hathaway, Smith, Folds & Co.		2146-Oct.	
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	1313-Oct.	1406-Oct.	
E.Naumburg & Co.	1860-Oct.		
Weil, Farrell & Co.	1305-July		

SPECIAL NOTE:—The above numbers refer to the New Key which has been sent you.

X-HC101
B 3

#22

BABSON'S REPORTS inc.
For Bankers.

April 28, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

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BROKERS' LIST	OUR CHOICE at about 5 1/4%	OUR CHOICE at about 5 1/2%	OUR CHOICE at about 5 3/4%
Blake Bros. & Co.		2081E-Oct.	
Bond & Goodwin		216E-Sept-Oct.	
Geo.O.Currier & Sons		967-Oct.	
Curtis & Sanger		869-Oct.	1382E-Oct. 1524-Oct.
Edgerly & Crocker		942E-July-Aug. 612-Oct.	
W. O. Gay & Co.		1493E-Aug.-Oct.	
Goldman, Sachs & Co.		723-Oct.	
Hollingshead & Campbell	531-Oct.		
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.		379-Oct. 935-Nov.	
E.Naumburg & Co.		1860-Nov.	

X-HC10F
#23

ABSON'S REPORTS, Inc
For Bankers

May 5, 1913

CONSERVATIVE INVESTMENTS

Issued as part of our

Banking Service

COMMERCIAL PAPER OFFERINGS

(Strictly Confidential)

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BROKERS' LIST	OUR CHOICE at about 5%	OUR CHOICE at about 5 1/4%	OUR CHOICE at about 5 1/2% or more
lake Bros. & Co.	437E-Oct.		
ond & Goodwin			152E-Aug.-Oct.
Geo. H. Burr	1035-Nov. 1188-Nov.		
Curtis & Sanger			867-Oct-Nov. 2058E-Nov.
Edgerly & Crocker			942E-July-Aug. 1086E-Oct.
W. O. Gay & Co.		1425-Sept.	1493E-Oct.
Goldman, Sachs & Co.			1609-Nov.
Hathaway, Smith, Folds & Co.	2130-Oct.		
Loring, Tolman & Tupper	(Send for their list)		
F. S. Moseley & Co.	106-Oct. *2235-Oct.		
E. Naumburg & Co.			2060-Dec.
Weil, Farrell & Co.		2036-Oct.	

*2235 Brockton (Mass.) Gas Light Co.

HC101 #24
B 3

BABSON'S REPORTS
For Credit Men

January 16, 1913

THE PRESENT SITUATION

Cattle and Beef

Issued as a part of our

Mercantile Service

Commodity prices, as indicated on the Desk Sheet, stand at the highest level recorded within recent years. Whether this rise will continue is a matter for serious consideration. In the economy of nature, it is queried whether business, like other movements, may not have a way of correcting its own extremes. We believe that such is the case and the present price situation is not without its warning.

Experience has shown that a continuous advance in prices cannot long be sustained unless business men can depend upon their banks to furnish the larger accommodation necessitated thereby. In other words, it requires larger funds to handle a given volume of business at high prices than at low. This fact is clearly indicated by a study of the Desk Sheet; on receipt of this sheet each month, clients should carefully compare the trend of prices (See Div. VIII.) with the bank statements. (See Div. V.)

The question now arises whether the banks are in a position to meet the demand that would be occasioned by a further pronounced increase in prices. On this point it is not necessary to theorize, since a practical test occurred toward the end of 1912, when the banks were called upon for funds to finance the movement of the great crops and the accompanying activity along industrial and commercial lines. The banks, to be sure, were equal to the occasion, but there was little or no room to spare; in fact, the situation at its height closely resembled a real money "pinch." This embarrassment, caused by a general expansion, suggests that further embarrassment would be caused by an expansion of commodity prices.

We recognize, of course, that at the time mentioned, the banks of this country could not borrow from foreign banks to any extent, since the latter were themselves pressed for cash, as indicated by the foreign money rates (See Desk Sheet Div. VII.). In short, banking credit all over the world is pretty well extended; and although business men have some basis for the prevailing confidence that sufficient funds will be available for financing a normal volume of trade at present prices, there is serious doubt whether *larger* funds could be found to take care of said trade at *larger* prices. Moreover, in making this suggestion we have taken into account the returning funds from country banks; this, however, means at most a temporary ease and does not alter the fundamental situation No one who carefully weighs all the factors can escape the conclusion that if prices do continue the upward climb, it can only be at risk of an overstrained credit.

* * * * * *

A discussion of prices must include two points of view; namely, the general price level, which tends to vary gradually; and the relative prices of individual commodities, which are more sensitive. A suggestive comparison is the steady rise or fall of the tide, contrasted with the quicker motions of the waves. The present situation with respect to the general level of prices has already been outlined above; certain particular commodities, however, may reasonably be expected to offer resistance to the general movement, and, in fact, may temporarily advance,—at expense of the rest, so to speak. Beef, for example, has already advanced somewhat; but we expect to see it sell even higher until cattle begin to come on to the market a few months from now. At that time there should be a temporary downward turn, but this subsequent movement we shall discuss at a later date.

Of late we have not said very much about cotton as we could see little fundamental reason for the advance, outside of some activity in spinners' takings. The recent decline justifies our position: and although present indications are very indefinite, it is our opinion that those who have further requirements to fill and can delay purchasing, should watch the situation and not be in a hurry to buy.

H25 X-HC101
B 3

BABSON'S REPORTS
For Credit Men

Wellesley Hills, Mass.
February, 1913.

LOSSES FROM BAD ACCOUNTS

Labor Conditions

Issued as part of our

Mercantile Service

From data collected by communicating with many of the leading wholesale concerns of the country, we have recently made an examination of credit conditions with respect to the average losses from bad accounts, figured as a percentage of sales. At the same time we made inquiry as to the experience of these houses with credit insurance. Although we intend later to make a more comprehensive investigation, credit men should be greatly interested in knowing the results of our present studies.

The average loss due to bad accounts for all lines investigated is **about ¼ of 1%**, and this figure may be considered by credit men, for all practical purposes, as a criterion. In other words, any firm which can keep its average *percentage of losses to total sales* below ¼ of 1% may consider itself as doing better than the average. On the other hand, any concern which exceeds this percentage of losses should be able to show some special reason therefor. In some instances, such a special reason can be deduced. There are lines of trade which must necessarily take more risks, and obtain correspondingly greater profits to offset the higher percentage of losses. Again, the policy of different houses varies, and some may have special reasons for allowing excess loss from bad accounts.

It is interesting to note that a considerable number of firms have found that the percentage of losses has increased somewhat during the past ten years or so. In some instances, the percentage has been temporarily abnormal because of a single loss due to the fact that the sales department insisted upon some questionable account against the better judgment of the credit department. **Particularly interesting is the close relation between losses and fundamental conditions. Almost without exception losses due to bad accounts have increased as business has become over-extended and as an area develops above the line of normal growth of the country.** *Over-production always spells increased losses.*

In regard to credit insurance, most mercantile houses prefer to maintain their own reserve as a protection against unavoidable losses. Furthermore, they believe an efficient credit department is sufficient to guard them against loss. Many concerns have carried credit insurance for a time and then abandoned it, but in some cases it seems to be an advantage. Those who object to credit insurance have used as arguments the high cost, the temptation toward less careful work in the credit department, and more or less resulting carelessness in the management of a firm carrying the insurance. A study of the statistics gathered shows that some of those carrying credit insurance have suffered a high percentage of losses to sales. In other cases, however, the losses have not been any greater than among their competitors who carried no such insurance. There is apparently no hard and fast rule which can be deduced along this line.

Credit insurance predominates in such lines as *shoes, dry goods, clothing, etc.* about half the firms engaged in these pursuits using such insurance. Most other lines, so far as we have been able to ascertain, carry little credit insurance. The percentage of losses reported varied from about $^4/_{10}$ of 1% to less than $^1/_{10}$ of 1%, the greatest losses being in shoes, leather, etc., and then varying approximately in the following order:—Machinery, valves and boilers; dry goods and clothing; hardware; pulp and paper; metals, coal and coke; rubber; textiles; automobiles; and groceries.

Although these studies should be extended still farther, (which is what we intend to do) the above data are substantially correct. Meager figures were obtained on electrical, paint and oil, lumber and woodworking, cement and miscellaneous lines, most of them showing a loss under ½ of 1% rather than over. **We urge clients who have not already sent us data in regard to their losses to let us know approximately what their experience has been, so that the record can be made more valuable. We, of course, shall keep the information entirely confidential.**

* * * * *

As noted on the Barometer Letter of February 11th, clients should carefully study the labor situation this spring. A large number of industrial agreements expire on May first and some others throughout the year. Many of our clients are familiar with the date of expiration of some agreements and we urge them to advise us at once of such dates so that we can issue a subsequent letter on this subject.

#126 X-HC10T B 3 3/13/13

BABSON'S REPORTS
For Credit Men

Wellesley Hills, Mass.
March, 1913

CASH DISCOUNTS

Miscellaneous Commodities*

Issued as part of our

Mercantile Service

We have recently made a study of cash discounts in the mercantile trade, and find that very many of the best houses agree with us in opposing such a policy. There is so much dissatisfaction and there are so many misunderstandings in connection with this system of payment that its abolishment is earnestly to be desired, and we herewith present the following *resume* of the subject substantially as suggested by a friend who is connected with one of the best manufacturing houses in the country.

Trade discounts have their economic reasons, but *cash* discounts have no deeper reason than expediency. They are the cause of endless dissatisfaction, bickerings, and petty larcenies. "2% to 10 days" leaves such a chance for argument between the ninth and eleventh days, and between the eleventh and all succeeding days, that credit men are hard put to frame a letter to the customer who stretches things too far. Consistency demands that a net date be fixed, from which discount and interest shall be figured at a per annum rate; and a plan along these lines has already been proposed.

Such a plan, however, is nothing more nor less than banking; and the question at once arises whether the merchant and manufacturer should assume the function of a banker. To this proposition few solvent business houses and fewer bankers are likely to assent. Any extreme extension of credit by the merchant is, in fact, an assumption of a function which his organization is but poorly fitted to perform; and to whatever degree banks can take up the burden from the merchant's shoulders, to just that degree will the cause of sound business prosperity be furthered.

The ideal toward which the business world should steadily work, even if slowly, is the net payment period more and more strictly enforced, but without discount or interest charges Reduced payables and receivables will leave balances to be furnished by banks closely acquainted with the affairs of the borrower at rates commensurate with the risk involved. **The business world must be educated to the fallacy of cash discount and the wisdom of the sound policy of borrowing from professional lenders rather than from unwilling merchants. The fact that one's *"payables"* are the other fellow's *"receivables"* is too seldom realized.**

In the above views, we believe there is crystallized and expressed with remarkable clearness and force the opinion held by many concerns in all lines of commercial activity. Few subjects among those which we have brought before our clients command more careful consideration and definite action than does this matter of cash discounts; and our organization stands ready to be of every possible service in helping to solve a situation which is admittedly one of the most troublesome of modern business.

Miscellaneous Commodities:—

As we desire to give clients our opinion on prices whenever any definite opinion can be formed, the following suggestions will be interesting.

In our opinion *foundry pig iron* will continue for the present to decline. *Pig iron for steel making* may hold a little steadier on account of demands from steel mills which are sold ahead, but a softening in this may also be expected later. Although *coke* has declined considerably from its high price, we also expect to see this commodity sell lower, and in our opinion *copper* will not strengthen in price in the near future, but rather show a declining tedency. In this connection, however, the Copper Producers' Statements should be watched.

As to *grains*, we have several times suggested that they were selling at a level where they could safely be bought by *bona fide* consumers. How rapidly they will turn upward in price is a question, but they can be safely bought. In regard to *butter*, this staple should soon sell somewhat lower. On the other hand, *eggs*, before many weeks, should rise in price, although the exact bottom may not yet have been reached.

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses because the short swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, inc.
For Credit Men

Wellesley Hills, Mass.
No. 8—April, 1913

CONDITIONS IN STORM AREAS

Issued as part of our

Mercantile Service

One of our country's worst disasters, if not to human life, to property and business interests, has recently befallen the great central portion of the United States. The care of the dead and the homeless is the first consideration, and we are only at the beginning of the task of repairing the damage from wind, fire and flood. The storm area covered a considerable part of seven of the most populous and wealthy of the great central farming and manufacturing states—Nebraska, Missouri, Iowa, Indiana, Illinois, Ohio and Pennsylvania—and the area affected includes scores of cities and towns and embraces a population approximating one-tenth of that of the entire country.

Winter wheat and spring planted crops will be adversely affected to some extent; planting will be delayed, and corn and other grains stored from last year's crop will, in many instances, prove to be damaged. Railways, interurban and other trolley lines, public utilities, highways, bridges, levees, coal mines, manufacturing establishments and whole sections of buildings and other public works in towns and cities have suffered from the recent convulsion of nature.

Business has been suspended and in some lines will continue to be suspended for some days. As matter of fact, it will be a long time before some affairs get into normal working order again. The action of the Governor of Ohio in proclaiming ten successive holidays in the flooded districts in order to release debtors, witnesses to the gravity of the situation from the credit standpoint. While it cannot be denied that great activity in the stricken cities from Omaha eastward will eventually ensue, and that materials and labor for all kinds of reconstruction will soon be in great demand, raising the volume of bank clearings in these cities,—Omaha, Columbus, Dayton, etc.—nevertheless, the credit situation is, and will be for some time, very unsatisfactory. In fact, it will be a matter of necessary charity on the part of creditors to extend the time for payment on outstanding obligations.

The banking situation in the Middle West is already somewhat overextended, and is certainly in questionable shape at this time of the year when borrowing for spring activity is naturally in evidence. There is little question but that some people will be absolutely financially wiped out by the disaster. Except where fire destroyed property, it is probable that there will be little insurance paid, for sufferers in the devastated cities are not generally covered on losses from cyclones and floods. The country banks of that territory will draw heavily upon the reserve centers, and this will tend to cause a further tightening in the general money market.

Mercantile clients should expect slow collections for a while. While merchants and manufacturers should be able to obtain good business in rehabilitating the storm swept areas, and while we urge them to push for business in lines catering to reconstruction and refurnishing, as suggested in the second paragraph above, we also urge them to remember that such property loss can only be replaced by extensive borrowings to reconstruct the various projects. They must now scrutinize their outstanding bills, and exercise unusual care and discrimination in extending new credits in these areas.

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#28

BABSON'S REPORTS, inc.
For Investors

January, 1913

THE PRESENT SITUATION*

Convertible Bonds and Coppers

Issued as part of our

Investment Service

Washington comment upon the bill introduced by Senator Cummins of Iowa, to tax short selling of stocks and commodities 10 per cent. of their face value, where no actual delivery is made, is that the proposition is interesting only as "disclosing a state of mind." Such may be the fact, but under the law that like begets like, the "state of mind" which led to the introduction of this measure in the United States Senate appears to have in some way been conveyed to the New York Stock Exchange and excited mental uneasiness there. The Stock Exchange, in a word, is much disturbed by criticism of its methods and practices, and by the attempts—more or less sincere—to devise a remedy for the faults complained of.

Beyond the movement in Congress, above remarked, to devise a remedy for the alleged evils of the metropolitan market for securities, there is the Pujo committee seeking the opinion of distinguished financiers as to whether the stock exchange should not be brought under some sort of control or supervision; and so distinguished a financier as Mr. George W. Perkins admits to the committee that he thinks Federal control of the stock exchanges desirable. At Albany, too, Governor Sulzer has announced a purpose to send to the State Legislature a message upon the same subject,—namely, the reform of the New York Stock Exchange. The governor is studying the subject, and it is announced that Mr. Horace White will be asked to confer with him before he makes definite recommendation.

Mr. White was chairman of the so-called Hughes Commission which investigated the Exchange and made a report rather pleasing to members of that institution. Mr. White entertains the opinion that a private association like the Stock Exchange cannot be coerced into incorporating; and, generally, his views are looked upon as favorable to the Exchange. Nevertheless, members of the Exchange continue ill at ease over the situation, and are understood to be debating among themselves whether reform from within would not be a wise proceeding about this time. There is no question that reflection of this sort is the best thing that could be done, for the Exchange as a body should realize that the public is determined on certain reforms.

It might, for example, voluntarily incorporate and invite state or federal regulation; for, obviously, affairs have reached that pitch where something needs to be done to give stock exchanges a better standing. There is suggestiveness in the fact that last week a membership in the New York Stock Exchange sold at $51,000—a price, which, to be sure, looks high enough to the average mortal, who fails to understand what there is in the institution which should impart that value to a membership; but such price really marks a very severe decline from former prices, as a membership commanded, a week earlier, as much as $53,000, compared with $56,000 a month earlier, $73,000 about a year earlier and $96,000 five years ago. It was fondly dreamed when the price was rising by leaps and bounds that it would reach $100,000.

Commissions for buying and selling stocks and bonds were very much more in those days than they have been since; and for the last two years or so they have been very small. Members of the Exchange have, in some cases made little money. Some may have had to sell, and prices of memberships in the stock exchange, even, are amenable sometimes to the old law of supply and demand. These memberships carry a valuable life insurance, and it can but be wondered what the market price would look like with that item deducted. If the Exchange would enhance the worth of its memberships by attracting business to itself, it must do something more to induce public confidence.

*Personally I am interested only in the long swings of three or more years, and believe that neither I nor any one else knows what the stock market will do in the immediate future. I therefore trust that my clients will avoid risk and wait to invest in stocks until there is a distinct slump. When this time comes I will definitely advise in the Barometer Letters which will contain all information relative to the long swings. However, it does no harm to read a review of the immediate situation once in two weeks. I therefore submit this one, believing it to be written by the leading disinterested stock mar-

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BABSON'S REPORTS, Inc.
For Investors

January, 1913

THE PRESENT SITUATION*

Notes on Miscellaneous Securities

Issued as part of our

Investment Service

A new year and a clean page. The old page showed losses. It is customary to look for an upward movement in securities either in late December or early January, denominated the "January rise." It did not come last month and therefore was due this month. Some observers thought a beginning of the rise was in evidence on the first day of the new year. Stocks were indeed buoyant on that day; net gains in prices looked good. Europe became a buyer, and Europe has been saying some good th ngs about American affairs. Moreover, for Europe to buy implies an improved monetary outlook—also an improved political outlook—there; and, somehow, the idea has obtained that the domestic situation is so linked with the foreign at this time that substantial betterment of foreign conditions would assure realization of long deferred hopes regarding the stock market in the United States.

The past year in stock speculation is not pleasant to look back upon. There was disappointment all along the line. The net change in prices was too insignificant to remark upon, and the brokerage fraternity could not figure enough gratifying profits to warrant any sort of celebration at Christmas time. So 1912 went into the past without regrets, and the gaze was fixed upon 1913, not vainly as related to the first business day, as above remarked. European bourses were as buoyant as the American, while the money markets of two continents showed a surprising tendency to ease in rates, a most welcome circumstance, and one emphasized by further recession in loan rates on the following business day; but, alas, on that day the share market missed professional aid to which it had plainly responded on the first day, and hope of better trading conditions was seriously impaired. The fact is that the line between one year and the next is too attenuated to be measured, and there are no wonders wrought when the midnight bell of December 31 commences to strike. Sentiment may undergo a change, but facts remain the same.

In one particular, at least, facts may be modified. The reference is to the money market. Preparation for heavy payments is usually made before they begin to fall due the first of January, and this does relieve a certain tension, to which the stock market is especially sensitive. At the beginning of 1913, relief from the December tension in money is particularly noticeable. Indeed, relief began to be felt the last of the old year, and became marked on the second business day of this year, call and time loans on collateral yielding about the same amount. Business paper is quoted about as before, but slightly easier, and perhaps that was quite as good an index to true monetary conditions as the rates asked for other varieties of loans. It really does not appear what is to bring low money rates for the present, unless in the case of call rates, for there is a great borrowing demand in prospect on two continents. A Paris estimate is that loans amounting to some 2,500,000,000 francs await the settlement of the Balkan difficulties.

More or less hoarding of gold is said to have occurred in European countries, part of it to participate in these loans and a part of it because of distrust of the general situation. Unwillingness of some of the French banks to pay gold over the counter is assigned as one of the causes of hoarding. In India apparent increased hoarding of gold has been in progress for several years. The net gold imports of India were approximately $50,000,000 in 1909, $90,000,000 in 1910, $116,500,000 in 1911 and $140,000,000 in 1912. Imports of silver by the same country have likewise been large, the amount for 1912 having been the largest for any year except 1906. These movements have excited some apprehension regarding the peace of India. The recent attack upon the life of the Viceroy has accentuated this unrest.

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#30

BABSON'S REPORTS
For Investors

Wellesley Hills, Mass.
February, 1913

THE PRESENT SITUATION*

Great Northern Railway Co.

Issued as part of our

Investment Service

One good day on the Stock Exchange almost makes the average trader forget the near past and expect that the future will bring a succession of good days, until eventually one of the prosperous trading eras of the remote past will be present and dissipate the gloomy forebodings so commonly indulged in for very many months. Nor does it require so much as formerly to constitute a good day. Given courageous manipulation of one or two stocks accompanied by a sharp advance in the prices of those stocks and a sympathetic rise in other favorites, and the trading class on the exchange straightway takes courage and confesses to a feeling of optimism. It did that precise thing the other day, when American Can shares did some high-price climbing and subsequently repeated it, the common shares taking the lead.

Nearly a quarter of all the dealings on the New York Stock Exchange for the day were in Can shares, and a very large part of the gossip naturally related to that property, the idea being uppermost that the directors were about to perform some act of great advantage to the common shares, between which and dividends there was known to stand an unliquidated claim of about 33% in deferred dividends on the preferred stock. It was accordingly inferred, and later announced, that some new security was to be issued into which this claim of the preferred shareholders would be funded. There was likewise mentioned the chance that the preferred stock might be retired by some new deal. It was allowed that everybody not on the inside, or in touch with it, was ignorant of what was going to happen, and that the advantage in the trading was with the informed. One could take a chance on a tip or he could hold aloof from trading and miss the chance to make a profit. Recent profits have not been many nor frequent; but there were people enough to take the chance to render Can shares active above all other shares and to give the general market a better appearance than it has worn for many a day.

Still the operators were not happy. There were those who actually regretted the speculative display in Can, knowing that it was that sort of trading which had stirred the Pujo Committee, on recital, and fearing that the stock exchange was furnishing its critics at Washington and Albany with the sort of object lesson that they would like to enforce the contention that the exchange needs regulating. The Congressional Committee has outlined a general purpose to deal with the affair, and the governors of the New York Exchange have arisen in their might and through eminent counsel have advised the authorities at Washington that Congress has no constitutional jurisdiction, but that the State Legislature does.

It is, indeed, wondered if the governors of the exchange have not some fear that Congress will exercise whatever right it may have, or thinks it has, and compel the exchange to make a radical change in its policy and methods. At least, there seems to be a turning of exchange officials and the newspaper organs of the bankers and brokers to Albany, and a rather complimentary mention of Governor Sulzer's address to the Legislature calling for important laws to govern trading. The governor was not certain whether the exchange ought to be incorporated, or a maximum interest rate fixed; but he was clear in the opinion that flagrant wrongs

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#131

BABSON'S REPORTS
For Investors

Wellesley Hills, Mass.
February, 1913

THE PRESENT SITUATION*

Northern Pacific Railway Co.

Issued as part of our

Investment Service

Stock market speculation is on the defensive. There is neither opportunity nor disposition to become aggressive; and so matters move along, mostly in a rut, without likelihood of early escape from this position. The New York Stock Exchange itself is on the defensive, and waits to be coerced into purging itself of objectionable practices before making a decisive move to negative the course of its critics. Last week it learned of a proposal from the Governor of New York State that exchanges of all sorts in that commonwealth be required to incorporate by the first of next September. It is shattering to the pride of the chief exchange that its professed ability to do things more correctly as a private association than as an incorporated institution is not accepted at its face value by the chief executive of the state; and it is discomfiting to find that the same state official proposes sundry new laws to achieve the ends which the governors of the exchange say they can achieve by their own resolutions. A well-known writer says:

"From one point of view there could not be a better time to institute reform than at present. If the disposition which has characterized the general public toward the New York Stock Exchange and, we hear, like exchanges in other cities, continues, there will be little need for reformatory action either by rule or statute."

The proposal is to place the exchanges in New York under the superintendent of banks, which sounds well; and it is further proposed, as is understood, that the creditors of members shall have a lien upon the value of the membership, as they do upon other assets of the members, which is as it should be. At present members of the exchange have the first lien upon that asset, and other creditors must shift for themselves. There are other provisions and regulations, more or less of which may become law, though one of them which limits the lawful interest rate on loans at the exchange to fifteen or some such per cent, will scarcely prove workable. That limit can be fixed, but the borrower will have to pay more than that, if the lender exacts it, or fail. He can readily offer to pay any agreed sum beyond that as a commission, which it is presumed that no legislature would attempt to prohibit. Well, these are the days when the stock exchanges are being tried as by fire, and let it be hoped that they will come out purified.

By the way, comment is heard on the character of the enterprises which some staid banking houses are lending their names and credit to in the flotation of securities which they would scarcely have considered a few years ago. Whether they do this from necessity in order to avoid idleness is among the queries which one hears. There may be an excess of banking houses, as there is of commission brokerage houses. There may be a demand on the part of their customers for securities to net more than those the so-called best houses used to give a preference to; and they may see no way to answer this demand except to exploit concerns they once looked askance upon. Investment and speculation appear to be undergoing a radical change, and there is not the distinction between banking houses that there formerly was. What the outcome will be is beyond present conjecture. That there may be greater safety for the buyers, sellers and holders of securities is much to be coveted. The advocates of reform mean well; but to accomplish it is another question. The attempt is to be applauded, and will be watched with deep interest.

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BABSON'S REPORTS, inc
For Investors

Wellesley Hills, Mass.
March, 1913

THE PRESENT SITUATION*

Securities for Permanent Investment

Issued as part of our

Investment Service

Uneasy lies the head of him who deals in stocks these days, unless the owner of the head chances to be short of the certificates which have lately been making new low price records. Some of the weakest shares have been stable investment stocks for a very long time. New York, New Haven & Hartford Railroad stock at 113⅜ this week sold at its lowest price since 1873, and it is necessary to go back seventy-three years, or to 1840, to find so low a price for Boston & Maine Railroad shares as the 65 lately recorded.

The foregoing stocks have stood out prominently from the Boston list, while New York has had its American Sugar Common at the lowest since 1908, its B. F. Goodrich Common at the lowest since it was first traded in upon the Stock Exchange; also its Union and Southern Pacific selling at prices that looked ridiculous compared with the past and when compared with the dividends being paid. These things have happened without the concomitant of a panic, for the market has been relatively dull practically all of the time, and they have happened with general business in large volume in this country and abroad. Commerce is prosperous, but financial credit is under a great strain.

The pace of so-called progress is too great for the credit facilities of the world, and the case is very seriously complicated by political and social unrest in most parts of the earth. Everybody is seeking to gain an advantage over others, and business and international relations have been thrown out of bias by the struggle. In Europe they are trying to rebuild the map, and the powers having the task in hand are so jealous of each other that they are likely to unsettle the money markets of the world in financing the armament essential to enforcing the position of individual nations.

Germany is embarking on a military enterprise said to involve an expenditure of a quarter of a billion of dollars; and France is reported to be answering this proposition with a plan involving some three-tenths of a billion of dollars. This occurs when other monetary wants are more than sufficient to absorb the savings of the world, in spite of the indorsement of the rich bankers of the countries where the loans are brought out.

Unfortunately, the European expenditures are not for the promotion of industry. Quite the contrary, they provide for the retirement of many thousands of bread winners from the class of producers and transfer them to the consuming class. This in itself is most inopportune, for the world needs workers and producers rather than drones, and it needs to have all the surplus funds devoted to practical

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BABSON'S REPORTS, Inc
For Investors

Wellesley Hills, Mass.
No. 7—April, 1913

THE PRESENT SITUATION*

The Boston and Maine Railroad

Issued as part of our

Investment Service

The sequence of adverse events in the world still continues. No sooner does one occasion for disquietude pass than another fills its place, and a new situation has to be met and its importance duly weighed. The day which brought news of the surrender of Adrianople, bringing nearer to a close the Balkan War, likewise heard announcement of destructive hurricane, flood and fire in an important city of the Central West; and on the heels of this terrible news came other news of flood, fire, and loss of life and property in the Ohio River valley and neighboring streams carrying great danger to the valleys below.

At first the stock market had regard particularly to the foreign news, and naturally, because foreign markets were favorably influenced by the prospects of peace in Southern Europe, and by the improvement in the monetary position of Berlin, thanks in part to the receipts of gold and borrowed money from the United States. Moreover, there was some buying of foreign stocks in New York early last week, and there is nothing to quicken the pulse of stock trading like the execution of buying orders for securities. Soon, however, the good feeling spent itself as a market factor, and London and the continent saw the serious character of the central western situation in this country, and turned a seller.

Whereupon old conditions returned in the stock market, and it was immediately discovered that no real improvement had occurred in the trading, but that price betterment had arisen wholly from foreign purchases and purchases for covering purposes by local shorts. The estimate by the Governor of Ohio that losses by flood, wind and fire in the West would parallel those by the San Francisco earthquake and fire gave a new conception of the possible magnitude of the disaster. The destruction at San Francisco in 1906 entailed an estimated permanent loss of $400,000,000, or four times the early conservative estimate of the destructiveness of the associated hurricanes and floods and fires in the Central Western States during the last days of March the present year.

At the least, the loss will be very considerable and will serve to prolong the difficulties of financing the world's monetary and credit needs this spring. It has been difficult all along to raise money for necessities of the corporations, whether utility or municipal. Berlin was a bidder for more money than could be had at New York, during March, even at 9%; and in the last days of the month New York City was offering its temporary loans locally at 5%, whereas it usually finds a ready market for this class of paper at lower rates abroad. The foreign situation is very adverse, as witness the low ratio of reserve to liability of the Bank of England—under 40%, and the lowest since 1899.

How, then, shall the central western need for $100,000,000—more or less—to make good the damage by wind and fire and flood, be met? True, it will not all be wanted at once, but it will be wanted and something else must wait, for, as before shown, all the available funds were previously in demand. The stock market has long suffered from lack of money to finance even average activity; and its plight, if not made worse, is certainly not improved by the recent disaster.

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BABSON'S REPORTS
For Investors

Wellesley Hills, Mass.
No. 8—April, 1913

THE PRESENT SITUATION*

Stocks to Watch

Issued as part of our

Investment Service

Successful trading for the advance in stocks strengthens speculative sentiment to the point that unfavorable news is sometimes disregarded; and the fact that it is disregarded is given as a reason for expecting prices to continue to advance. Mr. Morgan's death is cited to illustrate this point. Stocks did not go down as some folks surmised that they might when the cable flashed the news from Rome that America's greatest financier was no more. Indeed, it was allowed that stocks were supported to prevent the natural effect of his decease upon prices. If the market had been allowed to take its natural course in the presence of so important an event and prices had still held, then the strength of the market would have been real.

Again, the commencement of tariff legislation at Washington was called an adverse happening, yet it had very little influence in the stock market. Trading for the rise and fall proceeded in a narrow sort of fashion after Congress convened in special session, operators for the rise seeming to be the stronger party. Along came the monthly statistics of the American Copper Producers' Association, showing a decrease of more than 18,000,000 pounds in American stocks of the metal for the month of March. Parties interested in the long side of the market professed to be much pleased with this exhibit, and said it fully justified the rise in copper to 15½ cents a pound. The deliveries for March, above 154,000,000 pounds, were declared the largest for any month this year or last year, which certainly seemed encouraging.

In reality, they were the largest for any month in all time, but fairness compels the statement that the establishing of the new record is due to abnormal exports more than to other cause, the increase in deliveries for domestic consumption being but about half the increase in exports. Whether the increase in both instances was not chiefly due to the effort, in case of exports, to send as much copper as possible out of the country prior to an advance in ocean freights, and to speculative domestic buying in anticipation of higher prices for the metal consequent on the large exports, is a fair question. No one arises to assert that all the copper lately shipped to Europe is for immediate consumption; and it is scarcely believable that there has been a large growth in the melting business in America during the last few weeks. On the contrary it is common report that business has been slowing down. In a word, the factor on which stock commission brokers were urging customers to buy copper shares was in considerable sense artificial, and failed to elicit response for more than a day or two.

Next came the Government report on the condition of winter wheat and rye. This was excellent in both instances. So far as the percentages go it appears as if wheat went through the winter practically without deterioration, but the report was only of condition, and did not reckon with the item of loss of acreage from sand storms, floods or cold. That will be announced in May, and then it can be the better estimated what the yield is likely to be. Estimates based on the April returns range from about 530,000,000 to 574,000,000 bushels of winter wheat, against 400,000,000 bushels in 1912. Such figures are of slight value, except to speculators in grain. Speculators in stocks may reasonably assume in a general way that winter wheat is promising. Still that assumption does not avail to attract people into the stock market. They are not ready to enter, and why are they not ready to enter?

*Personally I am interested only in the long swings of three or more years, and believe that neither I nor any one else knows what the stock market will do in the immediate future. I therefore trust that my clients will avoid risk and wait to invest in stocks until there is a distinct slump. When this times comes I will definitely advise in the Department Letters which will contain all information relative to the long swings. However, it does no harm to read a review of the immediate situation once in two weeks. I therefore submit this one, believing it to be written by the leading disinterested stock market expert in America, who, moreover, gives this organization his exclusive services. My Engineering Department believes the securities which are recommended from time to time on the third and fourth pages to be attractive purchases at the prices named, and that ultimately they should show a good profit. They may sell lower after we advise their purchase and higher after we advise their sale, but we believe that ultimately they will be profitably made money. Therefore, although in order to pay for this service and keep the mind occupied, clients are justified in backing these suggestions with a portion of their funds, yet the greater portion of one's money should still be kept in liquid form for use in distinct slumps, which will give far greater reward than can in any other way be obtained.—*Roger W. Babson.*

X-HC10 B 3 H35

BABSON'S REPORTS
For Investors

Wellesley Hills, Mass.
No. 9—May, 1913

THE PRESENT SITUATION*

The General Electric Company

Issued as part of our

Investment Service

Verily the affairs of this world, and especially of the financial and political world, are in confusion. Worse to tell, there is no indication of anything like harmony being brought out of prevailing chaos for a considerable time, for no sooner is one adversity dealt with than another comes forward, with yet others trailing to await their turn for presentation. How many times has the Balkan war situation been looked on as good as settled! How often have foreign statesmen congratulated themselves on the surety that a titanic struggle between the great powers has been escaped! And now the least of the powers concerned in the struggle has defied all the others, outside the allies, by persisting in the determination to conquer Scutari, and antagonizing Austria to an extent that it is allowed that diplomacy has its most difficult task on hand in achievement of the original peace purpose. When Scutari fell, the money centers of Europe were much disturbed and the bourses and over-the-counter markets for securities were not a little interfered with.

In Europe the choicest loans only found ready placement; and it has come to be about the same in the United States. Permanent loans by the corporations are selling so poorly that further recourse is being had to short-date loans, and large interest rates are being conceded by the borrowers. So unfavorable is the outlook for securing money in bulk, that the syndicate underwriting the vast Interborough bond issue has been given until the close of the year to bring out the first installment of the loans. Temporary provision has been made to finance current needs in order to facilitate the deferred action.

Commencement of new enterprises is being postponed in very many instances because of difficulty in financing them. The cause of this difficulty is within easy vision. Confidence is weakened by disclosures touching the methods of "high finance," the agitation of the politicians, and the sincere, popular attempt to right corporate and political errors, to effect a general adjustment of wages and the relations between producers and consumers, and to establish a nearer equality between classes of human beings. A revolution of the peaceful sort is in progress in these several directions, the inevitable result of which is unrest and uncertainty everywhere, attended by great timidity on the part of capital.

Everybody feels that he is not getting his fair share as a reward for his expenditure of money or effort. The railroads complain loudly because they are not permitted to fix rates as of old, and the more loudly because they are being coerced into raising wages. On the heels of the award of an advance in the wages of the locomotive engineers on fifty-four eastern railroads comes the award granting an advance and other benefits to the firemen employed by the same roads—$2,500,000 to $4,000,000 per annum, in the aggregate, varying estimates say. Beyond this it is foreseen that the conductors and trainmen will have to be dealt with in some way, perhaps a similar way. **Furthermore, it is said that the locomotive engineers are not wholly satisfied with their altered position. Labor generally is striking for new advantages in wages or conditions, and the end cannot be foreseen, except that liquidation must sometime occur or the situation become intolerable.**

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BABSON'S REPORTS inc
For Merchants and Manufacturers

January 2, 1913

THE PRESENT SITUATION*

Issued as part of our

Mercantile Service

It is customary to say that rising prices of commodities mean prosperity; and, if that is correct, prosperity in the United States was never so great as near the beginning of the new year. At least Bradstreet's index number, showing the price of 96 articles, was never so high as on December 1,—to wit, $9.5462, only a small gain of .7 of 1% for the month, but 6.6% since the first of last January, and 3.4% higher than the previous high point in January, 1910. This can be seen by referring to Div. VIII. of the Desk Sheet.

Not all the 96 articles have steadily advanced for the long period, nor indeed did all advance in November. Quite the contrary. Exactly half the articles did not advance at all; twenty-seven articles actually declined, leaving thirty-one so altered in price as to carry the total to a new high level and to set people thinking. The articles that advanced during the last month included provisions, hides and leather, textiles, coal and coke. Some metals likewise rose in price, although the metal group as a whole declined. Copper, pig iron (eastern), and iron ore moved up, and also raw cotton, Ohio and Pennsylvania wool, and rubber.

It will be in order, therefore, to look for good business, for the present at least, in those lines where price appreciation is still in progress; but eventually commodity prices as a whole must be liquidated. Of course, should winter continue open and on the average warm, coal dealers will not make quite the profits from sales that they might with a lower temperature; and it is a fact that more people are burning wood this winter than has sometimes been the case, and dear coal teaches economies in its use where wood cannot be had.

The decision of the United States Supreme Court in the Reading case, so-called, is probably not calculated to render the anthracite coal producers any more likely to reduce prices. In fact, anthracite coal will probably go higher. The estimate is that the production of anthracite coal will be about 6,000,000 tons less for 1912 than for 1911. The situation regarding coal deliveries in the East has a possible explanation in the discovery of the wholesale appropriation of eastern coal cars by western carriers, for it is said that recently a single railroad at Chicago received in one day 6,000 coal cars to be returned to the East. Retention of the cars in the West made for a comfortable situation there, but at the cost of eastern consumers.

Hides and leather are selling at extraordinarily high prices, but such is the scarcity of hides in this country and South America, that prediction is made of further advances in leather. Tanners are declaring the supplies of hides the smallest in twenty-five years; and the shortage of beef cattle in this country is well enough known to invite at least partial belief that the claim is well based. The automobile industry consumes a very large amount of leather, though whether more than carriage manufacture formerly did is a matter for analysis. The demands of the automobile industry for rubber are likewise being considered by people who seek to forecast the consumption of rubber in 1913. A good judge of this matter believes that consumption will be more than enough larger than this year to absorb all of the increase in crude rubber production by the cultivated trees, while no increase is expected from the wild trees.

Since rising prices for commodities presupposes full employment of labor at manufacturing centres where the commodities are produced, and since full employment implies spending power, mercantile clients are recommended to seek a market for their goods in the centres of active industry as noted on the Sales Map.

* * * * * *

Our recent comments on the grain situation have proved helpful to clients. We still believe that consumers may profitably fill future needs at present prices. Oats, wheat and corn should sell higher before many months, although they may ease off a little meanwhile.

Owing to a large crop of flaxseed, price cutting and a reaction from high levels of about two years ago, linseed oil now seems to be selling at a price where those who use this commodity in their business should be justified in buying. It is near the low level of 1903-08 and will probably sell higher before the new crop is assured.

Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses because the short swings are governed by other than fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess; and it is for this reason that I submit this report.—*Roger W. Babson.

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BABSON'S REPORTS
For Merchants and Manufacturers

January 2, 1913

THE PRESENT SITUATION*

Issued as part of our

Mercantile Service

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Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses because the short swings are governed by other than fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess; and it is for this reason that I submit this report.—*Roger W. Babson.

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BABSON'S REPORTS
For Merchants and Manufacturers

January 30, 1913

MARGIN OF PROFIT

Copper*

Issued as part of our

Mercantile Service

As a concern expands, it sometimes tends to become less profitable in proportion to the business done. For example:

	First Year	Second Year	Third Year	Fourth Year	Fifth Year
Sales	$8,000	$15,000	$30,000	$80,000	$200,000
Profits	2,000	3,000	4,500	8,000	10,000
Per Cent of Profit	25%	20%	15%	10%	5%

With sales and profits showing a steady gain year after year, the sales manager is naturally well pleased; and other officers often take the same attitude that so long as the business is growing, all is well. It remains for some particularly hard-headed individual in the concern to point out that the *rate* of profit is running downhill. This usually starts an argument, if nothing more. It occurs to Jones that "a big volume at a small margin is the same thing as a small volume at a big margin"; Smith prefers to "look at the whole matter in a broad way"; while somebody else suggests that "prices are fixed by competition."

The real question, however, is where to draw the line. How far can the rate of profit decline before we recognize that we have an unprofitable enterprise and that the capital invested therein would yield a higher return if employed otherwise? The concern, of course, may have been enjoying an excessive rate of profit, and the decline represents merely a drop to normal; or certain conditions may be causing a temporary decline which is fairly certain of ultimate recovery. **All these things are to be considered; but the proposition still remains, that for every concern there is a dead-line somewhere; and the time to get worried and do something is while we are still above this line rather than after we have actually reached the limit or fallen below it.**

Now expansion is of two kinds. First, there is physical expansion; the plant is enlarged; new lines are added; new branches are established. In other words, there is an increase in the actual volume of goods handled, measured in tons, bushels, etc. It is generally recognized that such expansion must be managed with the utmost care, or costs will mount up beyond control.

In the second place, there is another kind of expansion, which may be termed monetary. Goods which in 1896 sold for $100, to-day sell for $150 and up. A concern which, fifteen years ago say, was doing a gross business of $100,000, might now do $150,000 and yet handle exactly the same quantity of goods. When a declining rate of profit is accompanied by a great growth in factories and sales force, the situation is obvious and the danger is admitted. But when there is little or no change in physical equipment, and the expansion shows only on the books, it takes clear thinking to see that a dwindling margin is just as real a fact and just as serious.

During periods of rising prices, every merchant and manufacturer should take particular pains to study his percentage of profit figured on his gross sales. Periods of rising prices have invariably been times of extravagance, speculation, carelessness, and contempt for "bookkeeping." Watch the rate of profit on gross business!

It is not our province to say what is a satisfactory rate of profit; and it is only indirectly that we are concerned with the dangers of physical expansion. But when it comes to monetary expansion, based on a rising level of prices, this is within the field of fundamental conditions; and we urge our clients to know exactly how they stand in this matter.

* * * * * *

Can needs for copper be profitably filled around present prices? This metal, to be sure, has declined since the *closing* months of 1912, but compared with the *early* months of 1912 current prices are not necessarily at the bottom. It is easy to say that producers will be able to fortify their position and prevent a very serious slump. At the same time, indications are that American consumers will be slow to buy in volume, and that the price of copper will not rise again steadily until it has reached a somewhat lower level. We believe that the immediate future of copper metal will be dependent largely on European consumption, which has been checked by the unfavorable situation abroad,—European conditions deserve close study.

Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses because the short swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess; and it is for this reason that I submit this report.—*Roger W. Babson.

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BABSON'S REPORTS, inc
For Merchants and Manufacturers

Wellesley Hills, Mass.
February, 1913

THE PRESENT SITUATION*

Metal Prices

Issued as part of our

Mercantile Service

It is possible to reconstruct a building even radically, and continue occupancy, but it is very inconvenient and expensive for both the builder and the occupant, and if it chances to be a business property that is in process of alteration, it is not to be expected that customers will be eager to pick their way between supporting timbers and over temporary bridges for the sake of trading at that particular place. Business in the United States is being conducted under conditions somewhat resembling those above described. The business structure is being radically reconstructed, not under a *single* design, but to *suit the ideas of a large number of people*, some of whom have purposes to serve quite foreign to those of the people directly responsible for the results of business operations. What is being undertaken in this country at present is to deprive monopolies and favored interests of power accumulated for a large number of years. This involves the widest sort of readjustment of relations between interests, and a very serious disturbance of the machinery of business How the readjustment is to be brought about is known only in part. The main reliance has been upon enforcement of the Sherman Act and acts supplementary thereto, more or less workable or unworkable.

There has been a political election and a more or less complete overthrow of the party which has been in power for very many years, during which the so-called monopolies attained large dimensions. The new administration is about to be inducted into office, and is believed to have definite purposes regarding the achievement of certain ends sought by the people. It must be obvious, then, that something of serious import will be attempted by the new administration, not alone in the form of tariff legislation, but in other directions, with a view to giving small business enterprise a chance to become established and expand; to interrupt the practice of overcapitalization of properties, and especially to pass those measures which are calculated to reduce the advantage of aggregations of wealth over the possessors of smaller wealth.

Moreover, an attempt will probably be made to do away with the rule of capital in legislation affecting the welfare of the people at large. What precise form the effort of the administration will take cannot be foreseen, but business will inevitably be disturbed, since it must go on and its directors attempt to accommodate their plans to a confused situation. Whatever may be said as to the final benefits of this upheaval, the months to come must be a period of uncertainty in the financial, industrial and commercial world, regardless of what may be done by labor unions to embarrass their employers and accentuate the difficulties of producing goods or furnishing transportation. **In regard to the labor situation, our last Mercantile Letter advised clients to study this situation carefully just now. We wish to repeat this advice, and again urge clients to write us concerning the date of expiration of labor agreements this year with which they are familiar. Business will go on and the wheels of industry will keep moving, but clients should not count on more than hand-to-mouth buying while this readjustment is in progress.**

* * * * * *

Notes on the Metal Situation:—

Our recent letters have been indicating the trend in metal prices. There has been a considerable decline in copper metal since the high point of last fall, but there is nothing now to suggest a strengthening in price, and a number of factors point to a further softening. Clients should not be surprised to see copper go even lower in the near future. There is also little to indicate higher pig iron prices, and lower prices should be witnessed before many months. Although steel mills are busy, steel prices can hardly be raised to advantage, and will probably be reduced as the year advances.

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BABSON'S REPORTS, Inc
For Merchants and Manufacturers

Wellesley Hills, Mass.
No. 9—April, 1913

THE PRESENT SITUATION*

Issued as part of our

Mercantile Service

As stated in a February Mercantile Letter, business is in for a process of reconstruction and alteration. At such a time as this it is impossible to expect buyers to purchase with the same freedom that they would show when the outlook is perfectly clear. Moreover, thus far the action of President Wilson and the new Congress is entirely in sympathy with what was expected by the student of fundamental conditions.

Commodity Prices, which advanced to a high point in January, 1910, receded to a low point in May, 1911, and again advanced to a very high point in December of last year, have since declined, according to Bradstreet's Index, from 9.54 to about 9.03. It is true that a few articles, particularly meats and some crop commodities, have recently advanced, but all other articles have either remained stationary or declined. Although the situation, owing to conflicting influences, is rather mixed (as it often is when business is close to the line X-Y) we desire to say a few words concerning the trend of different commodities at the present time.

In the first place, **grains,** following the abundant crops of 1912, have been selling at low prices throughout the winter. We have several times indicated that they were a purchase for the *bona fide* consumer. While their price movement in the near future will be quite dependent upon the 1913 crop outlook, we see no reason why corn, wheat, and especially oats, (of which last named grain there is a considerable stock on hand), cannot still be safely bought by those who need them. The same reasoning applies to the minor grains. Concerning dairy products, **eggs** are at the season of the year when they should soon advance in price and consumers and others interested should now lay in a supply for future use. **Butter,** on the other hand, which has advanced to a higher price than for many years, is likely to turn downward any day.

As to meat products, there is a great shortage in **beef,** and prices have advanced to very high levels. When the grass-fed cattle begin to come on to the market in a month or so, there should be a temporary recession in price. As far as the *long pull* is concerned, however, beef prices should hold strong. The same strength is evident in **sheep** and **hogs,** but as they have advanced sharply, a temporary recession will not be surprising in this line. A shortage of cattle has resulted in very high **leather** prices, although there has lately been some recession on account of low grade hides coming on to the market. A further temporary weakness is probable, especially as business slows down, but as far as the *long pull* is concerned, a shortage in the supply argues for higher prices, no matter what happens temporarily.

The outlook for metal prices is more or less confused. In order to take advantage of low freight rates, stocks of **copper** have recently been sent abroad, and this has caused the amount on hand, as given by the American Copper Producers' Association reports, to decline. The price of the metal has been moved up quickly by the dealers, but considering general fundamental conditions, we feel that chances for higher prices in copper metal are not very good. In fact, we should not be surprised to see the price weaken. **Pig iron** has already declined, and fundamental conditions suggest to us that there will be a further recession. Hence we advise buyers not to stock up with the same very far ahead. As to **steel,** the mills are now busy, but a general hesitation on the part of the trade owing to the tariff outlook and a natural decline in building projects, suggests to us that higher prices in steel will not soon be witnessed, and that, like copper, the tendency is toward lower levels.

In regard to **cotton,** the new crop will have a great effect on the price, but unless new crop conditions are bad, we expect to see lower cotton in the next few months. This, however, is a very speculative commodity, and manipulation may change the trend. **Wool,** having reached the top about the first of the year, for obvious reasons will probably sell lower. **Timber** has advanced to much higher prices than have been witnessed for years. It now looks as if there will be some further advance, but a top will probably be reached before long and a recession occur.

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BABSON'S REPORTS
For Merchants and Manufacturers

January 25, 1913

THE WORLD'S OUTLOOK

Issued as part of our Mercantile Service

The past twelve months have been a period of record activity in a greater portion of Europe; and this has been reflected to a large extent in England although labor disputes, inflated commodity prices, and in the latter part of the year, high money rates, have interfered seriously with trade in many quarters.

The great political upheaval, with the resulting tightening of rates, struck a severe blow at Germany's trade and commerce and brought down prices on the Bourse, as the Barometer Letters suggested would be the case.

In France, trade is still active, but even that great pocketbook of Europe, the Bank of France, has felt the strain and raised its almost immovable rate to 4%. In Austria-Hungary, finances have already reached the breaking point in the strain caused by the Balkan situation. The excitement and tension after the recent wave of speculation have plunged all classes of business into a state bordering on depression.

Business in Italy shows some improvement at the present time and commerce is beginning to show an increase over the poor trade of last year. General business conditions in the Netherlands are quite satisfactory; but here, too, the adverse influence of politics has, in a measure, offset many of these favorable factors. Russian business continues active, much the same as it has been for the past year. The maintenance of a calm, less selfish, foreign policy will be a great aid in developing natural resources and encouraging industry.

Unrest, turmoil and fighting have continued along the northern borders of Africa and in various quarters of Asia. The influence of Russian oppression is still felt among the Kurdish tribes of Persia; the political unsettlement continues to upset China and apparently the outlook is as uncertain as ever. China's finances, too, are in a very bad shape, as is also the case in Japan where the military policy is continually raising taxes and injuring business. In India, the assurance of good crops has resulted in excellent business conditions in all parts of the empire, and the outlook is very promising.

The past year, although witnessing many scenes of revolting cruelty and disturbances in certain parts of South America, has closed with a somewhat warmer sense of friendship among the various states. Relations have considerably improved between Chili and Peru. Favorable business is reported from nearly every South American country; those bordering on the Pacific especially are experiencing excellent trade in anticipation of the opening of the Panama Canal.

That business in Canada has been practically independent of conditions existing in our own country, has been demonstrated by the long period of almost unbroken prosperity which has prevailed in the Dominion. Business activity was stimulated by a record harvest; production of most commodities attained top figures and there was a great revival in the lumber industry. While such extraordinary business expansion can hardly be expected to go on forever, yet it must be remembered that Canada is a comparatively new country and owes its present state of prosperity to outside wealth with which the development of Canadian resources is being largely financed. Particular caution should be exercised now, in view of unfavorable European conditions.

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BABSON'S REPORTS,
For Merchants and Manufacturers

Wellesley Hills, Mass.
No. 5—June, 1913

THE WORLD OUTLOOK

Issued as part of our

Mercantile Service

The Panama Canal

The time is approaching when the falling of the tariff wall will compel the present protected trade of the United States to enter into competition with the great nations of the world and cause it to seek its source of supplies and to market its products along with England, France, Germany and the other European countries. The opening of the Panama Canal, then, comes at an opportune time as a means of opening up new fields for exploitation, of developing new markets and forming new trade routes. In the great seaports of the world, ships are being constructed, dock and harbor improvements are under way, great exporting houses are sending their agents throughout Central America and South America to study the trade opportunities offered by this field.

With the opening of the canal new markets and new producing sources will be created; new trade routes will appear. Through a study of these changes enterprising merchants and manufacturers will find improved opportunities for extending their business. The influence will be most felt where the greatest changes occur in mileage. That this is very noticeable as regards the west coast of South America, will be seen from the following table:

	Distance via Old Route	Distance via Panama	Saving in Mileage	Saving in Sailing Days
Liverpool to Valparaiso	8,998	7,185	1,813	6
Liverpool to Callao	10,230	5,910	4,320	14
Liverpool to Wellington	11,981	11,058	923	3
Liverpool to San Francisco	13,764	7,847	5,921	20
Liverpool to Honolulu	13,941	9,287	4,654	15
Liverpool to Vancouver	14,568	8,647	5,921	20
New York to Valparaiso	8,588	4,427	4,161	13
New York to Callao	9,820	3,332	6,488	21
New York to Wellington	11,571	8,500	3,071	10
New York to San Francisco	13,358	5,289	8,069	27
New York to Vancouver	14,158	6,089	8,069	27
San Francisco to Para	10,754	5,621	5,133	17
San Francisco to Jamaica	12,722	3,867	8,855	29
San Francisco to Marseilles	13,492	8,343	5,149	17
San Francisco to New Orleans	13,775	4,697	8,078	27
San Francisco to Montreal	13,941	6,460	7,481	25
San Francisco to Hamburg	14,121	8,366	5,755	19

It is evident that the principal saving effected is (1) between eastern ports of the United States, western European ports, and the coast countries, Peru, Bolivia, Chili, Ecuador and part of Colombia; (2) between Asiatic and Western United States ports and the east coast of South America. The markets of the South American west coast will be opened up to trade of the cities located along the inland waterways of the United States. Large centers such as Chicago, St. Louis, Kansas City, New Orleans, etc., will share in the benefits of these new fields.

South America is not alone a country of barren wastes and tropical wildernesses, but it is a fast developing continent which will produce amazingly during the coming years. The people are more progressive than some Americans and Europeans believe, but the English and Germans, on the other hand, have been awake to the value of these markets.

Colombia is the northernmost country to be affected by the opening of the Panama Canal. The principal centers of population are now in the valleys of the Magdalene and the Cauca rivers, although these districts are less dependent than others on the opening of the canal for their development. Large areas to the south, however, are given over to cattle raising and coffee growing, and these areas should now be studied. The mineral wealth is great, and gold, silver, and precious stones are exported. Sugar, bananas, rubber and cocoa are among the principal crops. Great oil bearing properties exist throughout this district and will become of considerable value. While the main arteries of commerce at present are the above mentioned rivers and the principal seaport is Sabanilla, yet Buenaventura, the Pacific terminus of the Pacific Railway, now in process of construction, will become a port of considerable importance. This railway is to connect with Bogota, thus giving the capital and the surrounding country an outlet to the Pacific. While at present affairs are unsettled and some firms are withdrawing credits, this condition is only temporary, and Colombia will some day offer great opportunities.

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BABSON'S REPORTS
For Merchants and Manufacturers

Wellesley Hills, Mass.
No. 6—June 1913

#143

THE WORLD OUTLOOK

Issued as part of our

Mercantile Service

World Conditions

The following survey of commercial and industrial conditions is prepared for our mercantile clients from latest reports received and commences with a description of the blue areas which signify less satisfactory conditions than prevail elsewhere.

JAPAN

A blue area still covers Japan, and finances and politics are in an unsettled state. Most industries, however, and especially the cotton trades, are stronger. The silk market is quiet but prices are steady.

MEXICO

A blue area still envelops Mexico, and under the Huerta regime, the country continues to suffer. With poor credit conditions there, clients at present should not hope for much business in this field. The outlook for cotton growing in Lower California, however, is hopeful and cotton may soon be grown very cheaply there and be marketed by the aid of a railway which is projected through this district.

TURKEY

The principal disturbance area, which originated in the Balkans and which found the surrounding countries in a vulnerable economic and financial condition, has continued to spread out on all sides. It now extends as far into Asia as southernmost Persia, where, however, it is checked by the prosperity area in India.

Conditions in Turkey are certainly in a very depressed state and after effects of the war are seen in the destruction of property and the loss of livestock, making the chances for a redemptive harvest appear very slim. Consequently the outlook is for continued trade hindrance and high cost of living. In Macedonia the outlook is very unfavorable. Merchants should be careful not to extend credits here.

BULGARIA

Conditions here are prostrated. Few banks are yet open for business and little credit is extended. Money rates are very high. Prospects for the growing crops, however, are fair, and Bulgaria's future depends to a great extent on them. A demand exists for coal and also for the necessities of life. But credit men should carefully watch collections.

ROUMANIA

The situation is somewhat improved, and in some quarters business is reassuring. The outlook is, however, uncertain, and firms should study the situation carefully before making commitments.

GREECE

Business is now becoming more normal and with the prospects of excellent olive and currant crops, the outlook is much improved. There is a market for coal and coke, fertilizers and agricultural implements.

ASIA MINOR

General business has been very much influenced by the Balkan War, and trade is now quiet. The amelioration of conditions in Turkey in Asia, however, lies in a good harvest of wheat, barley and cotton, the prospects for which are promising at present. Credits, though, must be closely watched. Financial conditions in Persia are in very bad shape and credit should be extended there with great caution on account of the state of lawlessness which now prevails.

WESTERN EUROPE

The political atmosphere has cleared somewhat, at least temporarily but business does not respond to the better political conditions. In England, manufacturers are working almost entirely on old orders, and the outlook is for quieter business. In Germany the trend is unmistakably downward, and a further liquidation is in order. In France

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BABSON'S REPORTS, Inc.
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 7—July, 1913

THE WORLD CROP OUTLOOK*

Mercantile Service

The products of the soil constitute a real asset of the nations and on these depends their prosperity. The following shows clients how each country stands as regards its prospects for coming crops, or for those recently harvested.

WHEAT—That which constitutes the world's greatest crop is steadily increasing and the great producing areas of **Russia** and **Argentina** are rapidly growing to be a big factor as to production and price. The record wheat harvest of the world last year of nearly 3,000,000,000 bushels brought the price of this commodity to the lowest level attained since 1907. Moreover, the general prospects for the coming wheat crops in the principal producing countries are excellent.

The total wheat crop in the **United States**, which is first of all in importance, promises to be fairly large, the smaller spring yield being more than offset by the favorable winter wheat crop. With very few exceptions the state of winter wheat in **European Russia** is excellent. This statement also applies to the greater portion of **Siberia**. The wheat production of the **Russian Empire** is second in world size and is increasing steadily, and in view of its importance should be carefully watched. **France**, which produces the third wheat crop of the world, reports that the outlook is for an average harvest. In **India** the acreage planted has fallen off to the extent of about 6%, but this crop will probably yield about 300,000,000 bushels. This is above the ten-year average. We estimate the wheat yield of Italy to be 10% over last year. In **Germany** the outlook is for a good harvest.

In the western portion of **Canada**, a region which is rapidly growing in importance, particularly in **Alberta**, conditions are very satisfactory. The spring crop is well along and the condition of the ground is excellent. The harvest in **Canada**, however, will be late and therefore subject to early frosts. Contrary to general belief, wheat promises to be excellent in **Bulgaria**, the yield being estimated at nearly 70,000,000 bushels. In **Japan** the outlook is for a 5% increase in production, although the area is slightly decreased. In **Rumania** the outlook is satisfactory. The recent harvest in **South Africa** was a record one, both as to quality and quantity. Condition of wheat in **Belgium** is good. In **Luxemburg** the outlook is excellent. In **Spain** this crop will be below the average. **Hungary** reports that the acreage is 5% less and the outlook is for more than a 10% falling off in production. The recent wheat harvest of **New Zealand** was very unfavorable and the surplus for export will therefore be small. This was due to losses by floods and bad weather conditions. In **Poland**, wet and cold weather has been detrimental to wheat, and some districts have had to be resown.

Summing up,—the bountiful harvest of last year and the excellent prospects for big crops in practically every large producing country will probably check any important upward movement in wheat prices.

COTTON

Prospects for the cotton crop in the **United States** have continued fair and most indications point to a harvest which will yield well up to the good crop of 1912. **Egypt** reports that the cotton crop has been somewhat backward and in **Upper Egypt** the condition is far inferior to that of last year. In **Japan** the condition is average. In **Turkey** the outlook is for a good crop. Cotton production in the **British Empire** has increased nearly 100% in the past three years and

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that the study of prices, as well as fundamental conditions, is of great value in forecasting, however the short swings are governed by other conditions, intelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS
For Merchants and Manufacturers

Wellesley Hills, Mass.
No. 8 — August, 1913

THE WORLD OUTLOOK*

Issued as part of our

Mercantile Service

The following survey shows conditions as they exist in the various parts of the world and commences with the countries wherein the fundamental situation is particularly unfavorable. An unusually interesting feature of the areas shown on the map is the fact that they constantly change their form and location like storms, and tend to follow the great trade routes. Thus we find that conditions which prevailed during the past year over the greater portion of Europe have recently begun to make their influence felt along the east coast of South America. While conditions in the latter place are not in such an unsatisfactory state as in Europe, yet present indications point to the development of a blue area in portions of Brazil and Argentina where money rates are abnormally high and low prices for principal crops have caused important failures.

South America

A blue area has begun already to develop in Venezuela where politics and credit conditions are unsatisfactory, and the effects of this political eruption are being felt somewhat along the west coast. However, as we have maintained for some time, a promising future awaits these young countries, and we continue in our belief that our clients who will interest themselves in Latin America will share richly in the increased trade from these nations in the near future.

Mexico

Conditions here show little change from our last report. Apparently only an entire reorganization of the government and society can cause an era which will be economically sound.

Japan

Due to political and financial conditions a blue area continues in Japan. The generally good appearance of the crops, however, and the improvement in industry will tend to develop a green area in the near future. Among other commodities there is at this time a particularly good market for leather goods and also for fire apparatus.

The Balkans

Bulgaria's chief hope at this time is a good harvest. The outlook for this is favorable, but the prospects for gathering it all are very doubtful, due to lack of hands. In Servia trade is very poor, and the outlook in Rumania remains uncertain at present, the harvest being delayed by the scarcity of farm hands. In view of the many opportunities for trade existing elsewhere, firms having a market here should study conditions with extra care.

Asia-Minor

Trade continues quiet, but considering the proximity of this country to the seat of the Balkan War, business has not suffered so much as in some other territories. In Persia conditions remain very bad. In Armenia the situation is worse than for many years, and is attended by the constant danger of Russian intervention.

Western Europe

Business still remains under the influence of politics and money. English trade is active and money is temporarily easier; but a continuance of active business can hardly be expected in view of present fundamental conditions. In Germany business, although active, is unsatisfactory in many lines such as textiles and building, the latter particularly being decidedly unfavorable. Trade in France is steady and the outlook for the wine and olive crop is promising, while the silk crop is somewhat less than last year. In Holland and Belgium crops are generally late, rye and

*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with precision by a study of the fundamental conditions. I believe that all forecasts of business or commodity price movement should be looked upon largely as guesses, because the things are governed by other causes as well as fundamental causes. Moreover, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS for the Mutual Benefit of Banks and Their Clients

Confidential Bulletin
M No. 39—Sept., 1913
Wellesley Hills, Mass.

BORROWING AND LOANING MONEY

Young Banks vs. Old Institutions

Issued as a part of our

Confidential Service

Banks make a great mistake in using as an advertising feature the length of time that they have been in business. We continually notice on the letter heads, statements and the advertisements of banks which come to this office the phrase:—

"Established in 1850"

or in some other year more or less remote. These bankers seem to think that this is a feature to be proud of; but the time is coming when a bank will hide its date of establishment as a woman hides her age.

The field in which the bank is to solicit new accounts is practically limited to young business men just starting out, or to strangers just coming to town. A man who has been in business some time, very seldom changes his account unless compelled to do so. In other words, when a man who has been doing business with some other local bank for many years, comes to your institution and offers to give you the account which he has for a long time been giving to some competitive institution, beware of him! Usually this man has "worn out his welcome" where he has been either because his deposit is too small or his loans too large and unliquid. On the other hand, young men are continually starting in business, and the live institutions today are systematically canvassing for the accounts of these young men.

Of course the account of a young man just starting out in business does not analyze very well or appeal to the theoretical banker or to the cold-blooded credit man; but these young accounts are the ones to seek both because they usually are good and because these young men some day will control the big accounts. Hence such of our clients, as are banks, are urged to make a systematic canvas each year of all the young business men in the community. Commercial banks should systematically get after every young man the moment he graduates and urge him to open a commercial account. The live bank today is beginning to "card index" every young man from the day he leaves school or college. The bank which has in its files only the records of its depositors, is out of date and behind the times!

Therefore we urge such banks as are clients of ours to become known as "young men's" banks. The risk involved in loans to young men is no greater than that involved in loans to the average man, while the prospects for future growth are infinitely greater.

* * * * * * *

To such of our clients as are young business men, there also is a hint here which should be heeded. When selecting a bank, other things being equal, associate yourself with a new institution, one that is "long of money and short of friends." The old established bank often has much dead wood to carry and is not very anxious for additional friends; but the younger institutions, especially such as are just being started, have a surplus of funds to invest and also are anxious to make new friends. If young business men were keen about financial affairs, new banks would be as popular as new apartment houses and fully as easy to fill, while the older institutions, like old-fashioned buildings, would be obliged to lower their interest rates and "loosen up" in order to hold their depositors. "A word to the wise is sufficient."

Babson's.

BABSON'S REPORTS for the Mutual Benefit of Banks and Their Clients

Confidential Bulletin No. M. 41—Oct., 1913
Wellesley Hills, Mass.

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BORROWING AND LOANING MONEY

Currency Legislation and the Local Merchant

Issued as a part of our

Confidential Service

That the new Currency Bill is a crack against Wall Street, New York, La Salle Street, Chicago, and State Street, Boston, is probably a fact. For truly, the large banks of all reserve cities will lose much in deposits if the bill passes in its present form. Country banks, which now carry their reserves in the banks of the big cities, will withdraw most of this money and place it in one of the twelve new Federal Reserve Banks which the new bill contemplates creating.

Probably there will be some compensating features which may result in decreased operating expenses, so that the net earnings of these big city banks may not be so severely affected. To some extent, however, such earnings will surely be reduced. Consequently, the stocks of many of these big banks are now a good sale, for later, they may be like birds with their wings clipped.

The arguments which took place last week at the Bankers' Convention in Boston showed plainly how the banks are divided upon this bill. Personally, we feel that the bill, although not perfect, is far from bad. Although the big city banks may lose deposits and power, the features providing for the elimination of exchange on checks should reduce operating costs and provide a distinct economic saving. In fact, the Resolution states:

"Exchange profits represent a large part of the total net earnings of country banks. It is a proper charge for a fair service rendered. The bill as now drawn will decrease the net earnings of the average country bank by not less than 25% and many of them much more. This gain will not go into the pockets of the business men of America, but will be enjoyed solely by the banks of the collection centers, which are now making satisfactory profits."

The new Currency Bill will also tend to make money more plentiful and thus lower rates of interest. This may not affect the local loans of country banks, but it will result in commercial paper selling on a lower basis and good bonds at higher prices. As most of the commercial paper is purchased by the city banks, this is also a bearish point against them. On the other hand, although the income from interest is reduced, much of it will result in the banks stopping the payment of 2% on check accounts and place the banks of our large cities on the same basis as those of the lender.

* * * * * * *

The principal effect of the new currency legislation so far as it relates to local merchants, is that banks can no longer smile at prospective borrowers and reply, "We have no funds." This favorite method of refusing to grant loans must be forsaken. Either bankers will be obliged to grant loans or else state frankly that they will not do so. **The proposed currency bill over which bankers are fighting, make it possible for any deserving merchant to obtain at any time, necessary funds to carry on his business. By depositing with the Federal Reserve Banks properly endorsed receivables, it will always be possible for them to obtain funds.**

This is a very important feature for business men to remember. It can be anticipated and provided for by using receivables only; that is, by getting and discounting the notes of customers instead of carrying customers in open accounts and then borrowing credit on one name paper. In other words, the new Currency Bill will mke it much more difficult for banks to refuse to make loans to deserving applicants, and will make it easier for small business men to finance their industries. Particulars regarding this, we will give when the bill is finally amended and passed.

During the past half century, finance and banking has been a mysterious art, and the average business man has been, more or less, at the mercy of the banks. Times, however, are now changing. The local business men are becoming wiser and no longer look up in awe at their local bankers. The gilt is coming off the idol and it will soon be recognized that bankers are ordinary people without divine rights or exclusive privileges. **Thus, for the local merchants and average business men, the new Currency Bill should be a good thing—and any worthy borrower who is temporarily disheartened in his efforts to swing heavy loans, should take courage and determinedly hold on until this or some other new currency legislation is passed.**

Babson's.

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BABSON'S REPORTS, for the Mutual Benefit of Banks and Their Clients

Confidential Bulletin
No. M. 43—Oct., 1913
Wellesley Hills, Mass.

BORROWING AND LOANING MONEY

Partnerships

Issued as a part of our

Confidential Service

"Of all the ships that sail the sea, the worst ship is partnership." This statement contains a vast amount of truth for the members of a partnership, and is probably one reason why so many small corporations are being formed in place of partnerships, and also why so many old partnerships are being turned into corporations. **The corporation, however, does not cure all the evils of partnership, but simply eliminates the personal liability feature. For this reason, conservative banks refuse to take the paper of local corporations except with the personal endorsement of the majority of the stockholders thereof.**

On the other hand, wise merchants are today refusing to endorse their corporation paper, for unless personal liability can be eliminated, there is little use of bothering with the legal red tape and expense connected with the organization of a corporation. Moreover, it is absolute folly for minority stockholders in corporations to endorse paper of such corporations, as minority stockholders have very little rights today. Although a man may have only a tenth interest in a partnership, he must be recognized; but a man with only a tenth interest in the stock of a corporation is practically without any power whatsoever. Hence, many feel that there is also truth in saying, "Of all the inventions of all the nations, the worst invention is the corporation."

The above are important facts which should be recognized by both the borrowers and lenders of money. **In other words, the craze for corporations will soon subside when the banks and members thereof really become awake. Partnerships will again come into fashion.**

* * * * *

For the benefit of any client who is now forming a partnership and who desires to be the dominant feature of such a partnership, we herewith enclose the following clauses which should be added in his favor to the general partnership agreement:

1. John Doe shall have full charge of all features of the business and his word shall be final in all matters.
2. The books shall be kept under said John Doe's direction, but they shall at all times be open to the inspection of all parties to this agreement.
3. The books shall be closed and the profits from sales charged up every three months, but before so doing an amount shall be charged to depreciation that said John Doe thinks best.
4. All parties to this agreement may use the office, stenographer, records, etc., for any private business; but all records, reports, supplies, etc. shall always be and remain the personal property of said John Doe even although the time and stationary consumed in their———is at the expense of the business. Any party withdrawing, however, shall be allowed a duplicate at the time of withdrawing, of anything he desires.
5. Each party to this agreement shall have such a proportion of the profits as his special capital is to the entire capital of the business, and the latter may be increased at any time said John Doe so desires.
6. If any party to this agreement desires to withdraw without said John Doe's consent, the books must first be closed and the stock be appraised in some way satisfactory to all parties to this agreement and then the party wishing to withdraw must take stock to a value which will bear the same ratio to the value of the entire stock as his part of the capital bears to the entire capital.
7. If said John Doe desires any party to withdraw, said party must upon 30 days notice so do, but the books must be closed and said party must be given cash to an amount equal to the amount of capital he put in, plus or minus the profit or loss to date of closing.
8. $———per month shall be paid said John Doe and be charged to expense before the profits are divided among the parties to the agreement.

As the above paragraphs were prepared after talks and studies with a very prominent legal firm, we trust that clients will find them useful.

* * * * *

To supplement the remarks in our Letter of two weeks ago on the impending Currency Legislation, we give on the next page a tabular comparison of leading currency bills, showing their immediate and after effects, going back over 120 years of financial history to the beginning of the American Republic in 1791. **A careful study of this tabular review will enable our clients to anticipate what the effects, both immediate and future, of the present bill will be upon said clients if enacted into law.**

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BABSON'S REPORTS on Commodities
For the Exclusive Use of
Local Distributors

Confidential Bulletin
No. M. 47—Nov. 1913
Wellesley Hills, Mass.

BORROWING AND LOANING MONEY

Retail Advertising

Issued as a part of our

Confidential Service

Advertising of the proper kind is one of the greatest aids to a better and bigger business that is known, but when applied improperly, it is also the surest and quickest road to insolvency. **More money is thrown away in advertising each year than through any other legitimate business in the world.** General advertising may be classed under two heads, namely: (1) *Creative* or constructive, which accomplishes an end of benefit to both the consumer and retailer. (2) *Strictly competitive* or destructive, which increases the cost of goods to the consumer and is positively fatal to the retailer, being *purely an economic waste.*

Creative advertising, designed to give the truth, the whole truth and nothing but the truth, is somewhat slower in its action, but the result is positive; furthermore, it has a selling potentiality not enjoyed by the other class. The people want the facts, and they are easy to reason with as well. The only necessary point is to carry the message to them clothed in the style to which they are partial.

Strictly competitive advertising, which the consumer pays for and gets no benefit from, is, in a general sense, nothing short of robbery. Plain, unadulterated, competitive advertising is a cut-throat game carried on by one house to get the business away from its competitor even though the process consumes all profits. Dog-in-the-manger tactics are poor advertising. To quote an authority on the subject, "Do not shout merely to interrupt the man in the half page next to yours."

The scare head will attract attention once in a while and will undoubtedly bolster up the monthly sales record in a dull month, but the advertiser who overdoes this style and places the broadside in each and every advertisement, will soon find trade slipping away. "At factory prices," "Discount for cash," "Closing out this line," "Bargains," and so on, do not "take" as an everyday diet. An advertisement was never devised that would appeal to *all* the people and there never will be, because of the peculiar make-up of human nature. However, all of us can be reached by appealing to one or more of the five following weaknesses:

1. Gain—Saving of money
2. Utility—Use, necessity or convenience
3. Pride
4. Caution
5. Self-indulgence—Laziness, vanity, appetite.

It is believed that every human motive that prompts buying can be classed under these heads.

The best asset in advertising is good judgment. It should be remembered that nothing can be gained by becoming acquainted with consumers through advertising unless this acquaintance leads to mutual confidence. The retail advertiser should center his attention on the problem of "which class" before bringing the particular line to the attention of the public, and fill the advertisement with reasoning which is apropos and pertains strictly to that class of prospect. The low-priced article makes its *money-saving* appeal to that class who have not an abundance of this world's goods and are trying to stretch the purse strings; the medium-priced article is attractive to the "middle" class because of its *utility*, as its cost is offset by its *convenience*; while the high-priced goods appeal to the *pride* and *vanity* of the rich because of their *exclusiveness.*

Even though your advertisement be written with the proper "class" in mind for that particular grade of goods and the correct "motive" be brought to the front to excite action together with its share of direct, decisive "drive," it will fail if not inserted in the correct media. The right advertisement in the wrong media is just as fatal as the wrong advertisement in the right media. We say this, for many advertisements are just as applicable to the media which carry them as live stock would be on the Twentieth Century Limited.

We especially advise our retail clients to take advantage of offers from reputable wholesalers or manufacturers of window displays, store ad-

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BABSON'S REPORTS on Commodities and Business Financing and Management for Local Distributors.

Confidential Bulletin
No. M 48 — Dec. 1913
Wellesley Hills, Mass.

#50

BUSINESS SUGGESTIONS

Capitalizing Different Moods

Suggestions for Increasing Sales

The Money Market

Commodity Price Trend

Issued as a part of our

Confidential Service

For the business man to operate the short swings of the stock market is a great mistake, yet our clients will derive certain advantages by watching the trend thereof. These temporary fluctuations have a psychological effect on the purchasing and selling moods of merchants and manufacturers. This even applies to those who never invest a penny in stocks or bonds. Coincident with an upward trend of the stock market, there is a corresponding buoyancy of a business man's spirits. The reverse is likewise true. When the stock market is on the toboggan, they look at business through blue-colored glasses, and pessimism is rampant.

Just as the knowledge of financial conditions is of great value in accumulating huge fortunes by purchasing securities when people are pessimistic and selling them when people are optimistic, so also is this principle a very valuable one to remember when purchasing and selling commodities. The spirits of a great many business men spasmodically rise and fall with the stock market. Therefore, often the psychological time for merchants and manufacturers to purchase their merchandise and raw materials is when the "other fellow" is feeling blue on account of a stock market decline and to push sales when the market has an upward tendency. In this way they can buy and sell under the most favorable conditions.

Furthermore, merchants and manufacturers are not the only business men who are affected by stock market variations. Bankers' spirits rise and fall in conjunction with a rise or fall of the stock market. They are willing to expand credit when the stock market is rising and sentiment is optimistic, but will contract credits when the market is declining and feeling is pessimistic. Therefore, our clients who need additional funds to carry them over certain periods of the year should take advantage of these facts and arrange to make their loans when there is a temporary upward tendency, although they must at the same time anticipate the usual seasonal changes in money rates.

Babson's.

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Merchants and manufacturers, whose products are put out in packages, cartons and the like, often make a psychological experiment on all classes of the buying public by making up several forms of containers, arranging them on dealers' shelves and show cases, and asking customers which forms most strongly appeal to them. There are other merchants who accomplish definite results by sending out a selected group of men or women to make a house-to-house campaign to ascertain which particular line of goods appeals to the buying public as a whole and to the different classes of the buying public.

Many customers are lost through complaints which do not reach the manufacturer. The first notice of dissatisfaction is when consumers discontinue buying a certain line of goods. Human nature is so constituted that a great many do not say a word of complaint, but buy a competing line of goods; whereas others complain to the man of whom they bought their goods. In the majority of cases, the complaint ends there, as the party referred to rarely ever carries the complaint to the manufacturer. Other manufacturers get in direct touch now and then with the ultimate consumer, preferably and most profitably by personal investigation through a special representative sent from headquarters.

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BABSON'S REPORTS on Commodities and Business Financing and Management for Local Distributors.

Confidential Bulletin
No. C 49 — Dec. 1913
Wellesley Hills, Mass.

BUSINESS FUNDAMENTALS

The Personal Touch—Increasing Profits

The Money Market — Commodity Price Trend

Issued as a part of our

Commercial Service

Proprietors of some of our small stores are often quoted as saying, "What's the use of trying to keep in business? There is that department store across the street getting the whole trade." **These dealers are not considering the value of "personal equation" and are neglecting a golden opportunity; that is, the opportunity of getting in personal touch with their customers.**

When a customer enters one of these smaller stores every one there is glad to see him, from the boy who opens the door, to the proprietor. The customer senses the feeling of welcome in the atmosphere and feels his importance; and if he comes again, the store keeper should, in the interval, take pains to learn who the customer is in order to call him by name at the next visit, thus strengthening the bond of good feeling between them. Often when this same customer enters a big department store, there is a noticeable difference in the atmosphere. The sales people there do not seem to care particularly who an individual customer is, but look upon each as one of thousands.

Especially is it true that when a woman goes shopping, she likes to have the sales people make a fuss over her; and if she cannot receive at the big department stores the attention she craves, she will go where she will receive it — at the smaller store.

Therefore, instead of a dealer being discouraged by the large stores or even accepting smaller sales as inevitable, this is all the more reason for him to plan for bigger sales. He does not face the one big handicap which faces department and chain stores. The latter find it much more difficult to get the personal touch into their trade, although they are wisely becoming more progressive in this respect, but the owners of small stores can more than hold their own by strengthening the personal element.

It is folly for the smaller dealers to try to meet competition from the big stores by cutting prices, for situated as small dealers usually are, they cannot do business of sufficient volume to off-set the cut prices. **The thing to do, however, is to make use of "that which the gods hath provided," and keep everlastingly at it. That is, utilize in every possible way the advantage which is given them, the advantage of getting in personal touch with the customers.**

This can be done in a great many ways. Although it takes considerable time, some dealers personally greet every patron. Dealers should keep a close record of individual purchasers, so that when customers have not been in for some time, they can be gathered back into the fold by a personal letter, calling attention to some new idea or some bargain. Some dealers might go a point farther by making personal calls on delinquent customers. An ingenious scheme used by some dealers is to hold private exhibits for their "regular customers."

The way to make a store pay is to make use of facts and factors before your competitors do; therefore, it certainly behooves every dealer to push personality to the limit before the "other fellow" takes it up in earnest.

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Clients may increase their sales by acquiring information as to the demand for various necessities by the National Government. If clients are at present receiving circulars from certain Federal departments, we advise them to ascertain if there are any supplemental reports for private circulation. This information may be obtained from the newspapers and Government notices. Information of interest may also be secured through Congressional representatives. Branch offices can be established, or desk room can be leased at Washington for the purpose of acquiring news first hand. Again, this information may be secured through business correspondents located at Washington.

For example, there are opportunities similar to the following which our clients can profitably take advantage of. If the United States Army should adopt motor cycles, manufacturers who first obtain this information will be best

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Suggestions for Manufacturers Under the New Tariff

This question is uppermost in the minds of our mercantile clients, but even those who will be most seriously affected by tariff changes should not be discouraged, remembering that the world is wide and that there are wonderful markets to be developed,—markets which have hardly been touched by United States manufacturers. As each new country emerges from an agricultural to a manufacturing nation, it becomes more and more necessary to distribute the products of its factories outside its borders, and our country is now in many respects at this "parting of the ways."

In addition to this incentive to push for export trade, the new tariff will soon be on hand to contend with. It forces many mercantile clients to compete in the world's markets as they never have before. They must not sit idle and court disaster, but should already be well under way in their foreign campaign. Feeble efforts, or none at all, to increase their exports must give way to determined, vigorous exploitation. Long ago the most progressive of our large corporations in steel, shoe and other lines have foreseen the handwriting on the wall and intrenched themselves by an excellent foreign business.

It is really a reflection on manufacturers in the United States that they have not studied the opportunities in other countries any better than they have. Of course, in the past various lines of manufacture have had all they could do to take care of home consumption, but in later years this has been by no means true of a great many corporations. It has been too often a "take-it-or-leave it" policy in the minds of our manufacturers. They have become overconfident of our great resources, and the tendency has been to take only as much export business as forced itself upon them.

Take for instance, the case of our near neighbor, South America. Why do Germany and England have a large export business with this country on the same goods as are made to great advantage in the United States, while our shipments amount to practically nothing? Investigation will show that they have studied and acted in a whole-hearted, persistent manner, while our merchants have spasmodically "taken a flyer," and if the "flyer" was not profitable, have dropped the matter. For instance, this country is the great cement country of the world, but Germany gets the bulk of the South American trade. Why? Because the Germans have studied the situation carefully and have used correct selling and shipping methods. American dealers have been known to ship cement in the same barrels which have been used for local trade, wholly unfit as a protection from moisture, and when the cement arrived in South America its condition can well be imagined. The Germans, on the other hand, have shipped their cement in water-tight barrels.

The cement production of the United States in 1910 was 50% greater than that of Germany, and yet German exports of cement in that year were nearly 100% greater than our own. To Chili in 1910, Germany exported over 350% more cement than did the United States, and in 1911 over 1800% more, and yet the United States was demoralized by an oversupply.

The opportunities for our merchants in South America include **agricultural and road machinery, electrical apparatus, automobiles, specialties** of all kinds, such as phonographs, moving pictures, safety razors, fireless cookers, vacuum cleaners, typewriters and computing machines. **Boots and shoes, carpets, cotton goods** have been exported from here in a small way, but the demand is great and increasing. **Hosiery** and **knit goods** will find a market. **Argentina** is calling for **cement** works and **paper pulp** mills. **Brazil** and **Colombia** need **cotton mill machinery** especially, and there are opportunities for the establishment of **cotton factories.** To help the United States, **banking** facilities are needed in South American countries. We must extend **better credits. Catalogs** should be printed in Spanish and prices listed in the currency of each nation.

The whole situation is summed up by the statement that Americans have not studied this question. The well known faults of American labelling, packing and selling are details that should be corrected by a proper study of the selling, advertising, trade and social customs of the prospective markets. The study of world fundamental conditions must be done by individuals; they cannot expect to have development work done by exporting houses. Individually or co-operatively they must go after foreign opportunities. Indifference and contempt must give way to careful, studied attempts to please the foreign buyer and to conform to his ways and customs. The seller must seek out and please the buyer as in this country.

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BABSON'S REPORTS
Pocket Consultation

Wellesley Hills, Mass.
No. 13—June, 1913

IRON AND ALLIED INDUSTRIES*

Issued as part of our

Mercantile Service

Production of pig iron in this country, in January of this year, reached the highest point in the history of the industry up to that time. Immediately following, it declined, but rallied in May to a new high record. Great emphasis has been given to this high production figure, and it has been spoken of as an optimistic argument for business; but we do not expect to see this high level maintained much longer, and look for a recession, which should continue for some time. Domestic consumption is decreasing, owing to a number of causes, and the mills are not receiving sufficient specifications to keep ahead of shipments, although some plants producing ship work and **agricultural implements** are fairly active.

At the present time there is comparatively little buying of **structural material, wire, railroad equipment**, etc. Business in **tool** and **machinery** lines will probably continue to decline; for it is unreasonable to suppose that with the general hesitation in business demand in these lines can, for some months, do anything but subside. Again, the **automobile** trade, which we have often commented on as being in an over-expanded condition, will in all likelihood, especially in regard to makers of the higher priced cars, curtail its production in anticipation of declining general business, and this has a distinct bearing on the subject in question.

Factory extension and new building in general can hardly keep the pace which it has held for the past year, and relative quietness in these important lines will tend to lessen demand for steel and iron. In this connection clients should carefully watch the Desk Sheet, Div. I, New Building, particularly **affects steam fitters, plumbers, machinery and tool manufacturers, structural steel and iron manufacturers**, etc. See also Div. X, Production and Price of Pig Iron, Unfilled Tonnage of U. S. Steel Corporation, etc.

Of course our most progressive manufacturers in **steel and iron** lines are building up a gratifying trade with foreign countries. This country is pre-eminently from natural qualifications, the steel country of the world. Many times in the past, foreign demand has been good when domestic business has been poor; but from a study of the Babson Foreign Plots it is evident, that with business in foreign countries receding, our iron and steel exports cannot now be what many superficial students expect. It is, therefore, as always, very important to consider the foreign situation, as United States ranks third as an exporter of **iron** and **steel** products, and leads in exports of **agricultural implements**. Moreover, the tariff is an unsettling factor, and although this country has a wonderful hold on the steel trade, still some of the weaker concerns will have to discard their antiquated methods and cultivate a much higher efficiency if they hope to prosper under the proposed tariff.

The **iron and steel** industry, important to clients in so many lines of business, we have followed very carefully. Since our letter of November 21, 1912, on this subject, we have referred to the situation several times. Our opinion has been bearish, and logically so, according to subsequent events. There has been a decline in **pig iron** prices since the first of the year, which decline should continue. As to manufactured shapes, such as **beams, angles, bars**, etc., a strong rise in prices from a low in the spring of 1912 to a high the first of this year has been experienced. A decline may be expected during the rest of the year, as mills are catching up on specifications and the above facts cannot be disregarded.

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable clients to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses, because the short swings are governed by other causes as well as fundamental causes. Moreover, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, inc.
On Commodities

Wellesley Hills, Mass.
No. 14—July, 1913

THE PRESENT SITUATION*

Issued as part of our

Mercantile Service

Since the first of the year there has been a steady decline in commodity prices. In general the trend is decidedly downward, and prices will probably continue heavy for the present, except in those cases where special conditions obtain.

In discussing some of the food products, it should be noted that **beef** has broken a little, and when the grass-fed **cattle** come on to the market, prices should fall still further. The lessening of demand caused by the present business depression, will undoubtedly be a factor in forcing prices down in the near future. However, in the long run, over a term of years, disregarding the smaller intermediate advances and declines, clients should be prepared for higher prices in **beef, hides,** and **leather,** due to the increasing world-wide shortage of cattle.

The harvesting of **winter wheat** is now going on, and although the crop is large, drought and consequent damage to other grain crops may keep prices from going much lower. Owing to not altogether favorable weather, **corn** and **oats** are on an upward turn which will probably continue, and it should be safe to make a purchase of either of these two commodities at the present time. **Spring wheat, barley** and **rye** should also be safe purchases. Owing to tariff legislation, **sugar** has been held at a low level and probably will continue uncertain and heavy with a possibility of a further decline, so that we would advise a hand-to-mouth policy in purchasing at present. **Apples** have risen in price, but as the new crop comes on to the market, a decline may be expected, unless the fruit undergoes damage. **Eggs** have advanced in price as they generally do at this season of the year, and purchases for the future should be made by those interested, as prices should continue to rise for the present.

As to construction materials, etc., clients who have buildings to paint should take advantage of the present low price of **linseed oil.** It should not go downward very much, and there is plenty of opportunity for it to go upward in case of damage to flax. On the other hand, those intending to build or repair property should keep in mind that the price of **window glass** has reached a high level which will probably not be maintained, for fundamental conditions suggest lower prices before the end of the year. Following the recent break in **lumber** prices, we expect to see a further decline in this commodity during the summer, due to new timber coming into the market and the falling off of building construction, accompanying a business slow-down. Incidentally, clients should remember that from year to year the supply of timber seems to be falling behind the demand, so that in *future years* lumber may gradually increase in price.

The price of metals has been weak since our May letter on this subject. The outlook for **copper** is that present prices will probably weaken still further. Although the figures for the world's visible supply of copper show a decline, still the production has been increasing very rapidly. This would naturally indicate that consumption is increasing. However, fundamentally, the position of the metal is not sound, and with a probable slump in demand (abroad as well as at home) prices are likely to sag. The demand for pig iron is steadily falling off, and this will affect the production and price of pig **iron.** As indications are that prices have not yet reached bottom, a conservative buying policy is being generally followed by careful manufacturers. The slowing down in building and manufacturing industries has caused recession in the price of **steel** products, which will probably continue. There has recently been a severe break in the price of pig **tin,** and although this metal may continue to decline for the present, it should be borne in mind that the world demand is increasing faster than the world supply, and in *the long run* prices will undoubtedly be higher.

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(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guesses, because the short swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, Inc.
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 15—July, 1913

CROP CONDITIONS and the MERCHANT*

Mercantile Service

In our recent Barometer Letter we took up crop conditions in general, but to our mercantile clients we desire to point out some important factors in detail. A careful statistical review of the principal crops, except cotton, shows that, as reported by the Government, they are below the ten-year average of 84.4, condition for the whole United States being 80.6. They are also below July first of last year, the condition at that time being 85.0.

Corn, our principal crop, shows a good promise. The condition of 86.9 on July first for the whole United States indicates that the crop may approach last year's production if crop damage does not take place before harvesting, although Illinois (with the possible exception of Iowa,) is the chief corn state, and shows a falling off of 3 points from the 10-year average, and Kansas, another important state, also shows a decline of 1 point. Iowa, where the production is about the same as that of Illinois, shows an improvement of 3 points, and Missouri, Indiana, Nebraska and Ohio—all states of large production—an increase of from 3 to 8 points.

Cotton, which shares second place with hay in total money value, shows an improvement for the whole United States as compared with a year ago, and the ten-year average. The condition this year is 81.8; last year it was 80.4 and the ten-year average is 80.2. There is also an increase in acreage planted, which together with the improvement in condition, shows an indicated yield of about 14,000,000 bales. The bumper crop of 1911 was 16,000,000 bales, so that we shall probably get what might be called a fair crop. Georgia, which is second in cotton production, shows a decline of 7 points from the ten-year average. South Carolina and North Carolina also show a decline of over 5 points. Texas, growing nearly one-third of the crop, shows an increase of 5 points, while Mississippi, Oklahoma and Arkansas, other leading states, show an increase of from 4 to 9 points. Louisiana shows an increase of 3 points and a considerable increase in the acreage over a year ago.

Winter wheat is nearly harvested, and the condition is excellent in all the leading winter wheat states, except Kansas, which is 9 points below the ten-year average. Oklahoma, however, is also 18 points below the ten-year average. Such large winter wheat states as Nebraska, Indiana, Ohio, Illinois, Missouri, Pennsylvania, and California will do exceedingly well. It should be borne in mind that Kansas leads in acreage and although the yield will be below its average, still the state will have a large crop. The total winter wheat crop will probably be around 480,000,000 bushels, well up to the bumper crop of 1906.

Spring wheat is nearly 12 points below the ten-year average of 85.3. North Dakota and South Dakota—both important states—have been badly affected by the drought and cold weather of early spring. These two states are often subject to crop failures, and although the crop was good in 1912, it was more or less of a failure in both 1910 and 1911. Last year's crop has helped to get the Dakotans on to their feet, but in view of present conditions in the Northwest, the outlook for business there this fall is not good. Minnesota, a leading state, shows a decrease of 5 points from the ten-year average. On the Pacific Coast, Washington, which is very important, shows an increase of 6 points, but taken as a whole the prospect for spring wheat is poor.

Oats show a condition much below the average, and the indicated crop is smaller than a year ago, although the acreage is increasing somewhat every year. Only two states are up to the average, Wisconsin, the third oats state, and Nebraska, the fifth. In Iowa, the chief state, condition is 3 points below the ten-year average, in Illinois 20 points below, and in Minnesota 6 points below. Indiana, Ohio, North Dakota and Kansas show a decline of 14 to 18 points.

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(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the short-range swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, inc
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 16—July, 1913

TEXTILES*

Issued as part of our

Mercantile Service

In previous letters we have touched on textile manufactures, which are most important. It is especially timely for clients to consider the situation now, in view of the tariff changes which are likely to be put into effect before the end of the year. About twenty years ago we were facing similar fundamental conditions, and whether or not the results of said conditions will again be so drastic, is a matter open to question. One of the ablest students of the trade has stated that the textile industry could do business today under the conditions obtaining from 1893-1897; but the Underwood Bill, as it has progressed thus far, gives less protection to the manufactured textile products than did the Wilson-Gorman Bill, **and this indicates that it will take some time for textile clients to readjust their business to the new schedule.**

To take up raw wool, a survey of the price chart in connection with the Babson Plot, seems to indicate that prices decline somewhat earlier than general business and continue a more steady downward movement well to the end of the depression; so that a pronounced rise in the price of this raw material is not expected even when conditions in woolen manufacturing begin to be more settled. The average price is at present lower than at any time since the early part of 1912, but in the 1908 depression, a point was reached nearly eighteen per cent lower than either 1912 or 1913 prices. In 1901 a point was reached slightly lower than the low point of 1908. **It is reasonable to suppose that prices will not go much lower whatever the result of the tariff; for the tariff probably has been discounted as far as price is concerned.** There may possibly be a temporary rally when the tariff is settled, but considering fundamental conditions in all lines of business, the rally will probably be short-lived.

Incidentally, we would like to say a word concerning wool production. Although it is very hard to get satisfactory figures, because the reports include washed and unwashed wool without showing the proportion of each, still the best figures obtainable seem to show **that wool production is keeping pace with the consumption and growth of population, and over a long period, even shows a gain.** There are years when production falls off somewhat, but the gain in production from 1821 to 1912 was about 400%, and the increase in the population of the world during the same period was around 100%. In the last eighteen years, from 1894 to 1912, there has been an increase in world production of nearly 25%, which is several times greater than the increase in population. In the United States the production of wool from 1840 to 1911 increased about 800%, and the population increased during the same period only about 450%.

The removal of duties on wool seems to result in a shortage of American wools, as was the case following the passage of the Wilson-Gorman Bill in 1893-94, when wool growers became unnecessarily panic-stricken and killed their sheep in large numbers. **Wool growers should bear past experience in mind and not deplete their flocks, as they will be able to make money, not only on wool but also on mutton and lamb, when the readjustment has proceeded a little.** Apparently wool has already become a by-product of sheep-raising in the United States (except possibly in Ohio), mutton and lamb bringing the chief money return.

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BABSON'S REPORTS
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 17—August, 1913

COMMODITY PRICES*

Issued as part of our

Mercantile Service

To our mercantile clients one of the chief values of a study of fundamental conditions is to aid them in buying and selling at the proper time. The time to clean up stocks of goods is when everything is booming, before the inevitable slump. The most successful buyers do not make it a rule to buy only when supplies are needed; but often buy when supplies are not needed. Many merchants and manufacturers who invested in commodities and manufacturing equipment at the high prices prevailing in 1906 and 1909, and who later were compelled to sell out at the low prices of 1908 and 1911, would have reversed this process had they made a study of fundamental conditions and the Babson Plot. Each mercantile client should especially study the new Commodity Price Line, which was recently added to the Composite Plot, and observe its relation to *general business* and the *particular commodity* in which he is interested.

To take up the present situation, we referred in our Bulletin No. 11 to the marked decline in commodity prices since the first of this year. The price average during the past month has had a temporary rally, but we do not expect this rally to continue very long. To discuss this subject in detail, let us first consider the metals. Since November of last year our letters have suggested that lower prices would be witnessed for **pig iron** and **steel.** Since that time No. 2 Southern Foundry Pig iron has declined from $17.25 at Cincinnati to $13.75. The production of pig iron continues to fall off. Taking into consideration the outlook for general business, we do not expect to see higher prices for some time, and they may even be forced somewhat lower.

The price of **steel** has not yet dropped to any extent, but some products are beginning to weaken, and we expect that they will soon follow the course of pig iron. In view of these conditions we believe that a hand-to-mouth policy of buying iron and steel will still be advantageous to our clients. **Spelter,** as might be expected, in conjunction with the decline in the iron industry, has fallen off considerably since the first of the year. Prices have, however, recently shown a rally which we believe to be only temporary, as fundamental conditions suggest that spelter should remain heavy along with those of iron and steel. The price of **coke** is always of interest in this connection. Since January it has had an almost perpendicular drop, but recently has rallied slightly. It is probable, however, that prices will sag again and continue heavy for some time.

The world's visible supply of **copper** apparently continues to decrease, and some people have looked for higher prices on this account; but our opinion since the first of the year has been that lower copper metal prices would occur, and although the strike in the Lake district has recently caused an upturn, we see no other reason for an advance in the near future.

Among the structural materials, the position of ordinary **window glass** is of interest. As mentioned in a previous letter, we expected that lower prices for this commodity would soon be witnessed. They have recently dropped, and the decline should continue to even lower levels. **Lumber** in May of this year reached the highest record for ten years. Since April we have been suggesting lower timber prices, which have

(*Continued on page 2*)

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of the fundamental conditions. I believe that all forecasts of immediate price movement should be based upon largely as guesses, because the swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, on
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 18—August, 1913

THE PRESENT SITUATION*

Mercantile Service

After a recent short rally, commodity prices, exclusive of food stuffs, have continued their decline. This is evident from our Commodity Price Line on the Composite Plot. It should, therefore, be interesting to our clients at this time to consider separately food stuffs, not included in the Commodity Price Line.

The recent drought in such cattle-raising states as Kansas, Nebraska, and Oklahoma has been the cause of some alarm in regard to **beef**, and the run of grass-fed cattle to market, which generally takes place at this time of the year, has been considerably increased by the shortage of water in this district. This will probably result in lower prices for beef in the near future, as we outlined in our Bulletin No. 14. It is question, however, whether they will reach the low level of last year, and the scarcity will probably cause higher prices later on. Since May of this year, beef prices have dropped from their record high point, recently reacting, possibly on account of the drought. There is a world-wide scarcity of cattle, which in the long run, will cause higher prices in beef.

In Kansas, Nebraska and Missouri, **corn** has been seriously damaged by the drought. A month ago prospects were good, but the recent developments have caused irremediable loss to our principal crop. The damage in Illinois and Iowa, the chief corn growing states, is not as great, but clients should watch these states, as well as Indiana, Ohio, Texas and particularly the drought section in Missouri, Nebraska and Kansas, during the coming critical weeks. The rise in price which has recently taken place was not unforeseen, as in our Bulletin No. 14 we stated that prices were very low and that a rise was to be expected. This rise has been accentuated by the recent damage, and prices have recently touched a high point, but if the weather should be favorable from now on, we believe that prices will not go much higher. **On the other hand, if the drought should continue, corn prices should even reach or exceed the high level of last summer.**

The harvest of **winter wheat** is exceeding expectations as to yield, and **spring wheat** promises a better yield than it did early in the season, so that the total wheat crop bids fair to be a bumper one. Since the first of the year, winter wheat has naturally had a considerable drop in price, but on account of the damage to other grains, will probably not go much lower. The price of spring wheat, which generally moves somewhat in sympathy with that of winter wheat, has had little change since the early part of the year. Indications are that it will not go much lower at present, and a rise would not be surprising.

Oats have also been somewhat damaged by the drought, and early conditions were not favorable. This has been offset to some extent by the large carry-over from last year and we expect prices to remain firm at about present levels. A bumper crop should keep **rye** heavy, and a short crop will probably cause **barley** to show some rise. **Apples** have declined in price with the oncoming of the new crop, but conditions are below last year and also below the average, and during the early months of next year it is reasonable to expect an increase in price level. A continued rise for **eggs** is to be expected for several months, and also on **butter**, although on the latter the unusually large amount put in storage this summer has recently caused the price to be heavy.

Among other crops, **hay**, which promises a smaller yield than last year, will probably bring higher prices. As to **potatoes**, whatever they may do in the next few weeks, the yield is smaller than last year and smaller than the average, and hence is likely to cause an increase in price before the end of the year. **Tobacco** is apparently not up to last year or the average crop, and there is some probability of higher prices.

The net result of the leading 1913 crops indicates at present a decline of about 15% from last year, and taken in connection with the tendency of fundamental business conditions, which show a downward trend, should point out caution to the merchant and manufacturer, particularly in those states where crop conditions are the worst. Average crops are not sufficient for our increasing population, and in order to fully meet the country's needs each crop should show increasing yields.

Babson's.

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movement should be looked upon largely as guessing, because the short swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS
On Commodities for
Merchants and Manufacturers

Wellesley Hills, Mass.
No. 19—September, 1912

COMMODITY PRICES*

Mercantile Service

Today we desire to present a review of commodity prices, excluding foodstuffs, the latter being inclined to move according to their agricultural prospects, which may be contrary to the general commercial trend of affairs. Our Commodity Price Line covers the important commodities which are not affected by seasonal changes, crop failures, etc., and in this bulletin we shall consider these and other commodities of the same class.

The most important of the metals is **pig iron**, which, since the high record of May, has declined in production. This is in accordance with our suggestions since the latter part of last year, and we believe that general fundamental conditions point to a continued decrease which should last for some time. As was evident to the student of fundamental conditions, the price of pig iron has fallen off since January. Recently a slight rally occurred, probably caused by the buying of "bargain seekers," but the price should continue heavy a while longer, and clients should be safe in making purchases now, although even slightly lower levels may possibly be reached later. The price of **steel** products has resisted the weakening tendency for some time, there is a decline in some lines, and this weakness may be expected to broaden and continue in the following months. **Coke**, which may well be considered in this connection, has experienced a considerable drop since the first of the year, although recently the price rallied somewhat. It is very reasonable to suppose that it will turn downward again and remain heavy along with iron and steel.

Since January **spelter** prices have fallen off, as is often the case when there is a decline in the iron and steel industry. They have recently had quite a rally, but we believe this is only temporary, and prices should be slow in recovering, as they depend on fundamental conditions, which are not promising. Since our last letter the price of **copper** has continued its upward turn and may go higher through speculative support; but we consider that the fundamental position is not sound, although some lessening in supply has resulted from the strike in the Lake district, and the falling demand should cause the price during the coming months to reach levels nearer those of 1911.

We have been suggesting lower prices for **tin**, and within the past six months they have shown quite a decrease, although there have been frequent fluctuations. It is impossible to forecast the immediate trend of this metal owing to speculation, but we expect that the general movement will be downward and that lower prices will be seen next year. A commodity which seems to follow very closely the general movement of the Commodity Price Line is **lead**, which has shown quite a drop in price since the first of the year and will probably remain heavy for the present. To consider one of the precious metals, **silver** is subject to considerable speculation, and the intermediate price changes are violent, but there has been a decline during recent months, and barring any unforeseen speculative movement, the price should go still lower before taking a permanent upward turn.

Among construction materials it is interesting to note the course of **lumber** since last spring. At that time it reached a high point which we suggested would not be maintained, and during the last three months there has been an almost perpendicular drop in price. This recession should continue to even lower levels and may even reach the low point of 1910, although, on account of increasing scarcity, it can hardly be expected to drop as in 1908, even with declining business conditions. Again, ordinary **window glass** in the spring of this year reached a point higher than any previous time since the fall of 1910. Prices recently have begun to weaken and in some grades to show a decline, and we expect this weakness will become more pronounced in the near future. For some months we have advised the purchase of **linseed oil**, as it has been at a low level, owing to a good crop last year. Recently the price has advanced slightly, but it is still a safe purchase for clients who have use for it, and we expect the price will not remain long at its present low level.

Babson's.

P. S. To digress a little, latest reports show that both **corn** and **cotton** are damaged by drought, and conditions have not improved since the Government report. **Corn** will probably eventually reach the price level of last year. **Cotton** has already reached a high price, and further damage may cause even higher prices temporarily, but the 1914 business outlook, however, suggests heavy prices later.

X-HC101 B 3 #60

BABSON'S REPORTS, Inc.
On Commodities for
Merchants and Manufacturers

Confidential Bulletin
No. C. 20—Sept. 1913
Wellesley Hills, Mass.

CROP CONDITIONS AND BUSINESS*

At this season of the year a very important question in the minds of business men is the final outcome of the crops. In our recent Barometer Letter we reviewed crop conditions in general, but in this bulletin we will present the situation from the point of view of our mercantile clients.

Corn will have a yield of about 25% less than last year, *and 10% less than the ten-year average.* Among the important corn states, the ones which suffered the most severely are Kansas, where the condition is about 60 points under the ten-year average; Nebraska and Missouri, which are respectively about 40 points under; and Oklahoma, where the condition is 30 points less than the ten-year average. The two chief corn states, Illinois and Iowa, also show a decline of about 22 points and 5 points respectively; and there are severe losses in many of the less important corn sections. Texas is the only important corn producing state which shows an improvement.

Cotton has also suffered from the drought, so that the final yield promises to be about 13,000,000 bales, or about one million bales less than last year. In Texas, where the crop is generally about one-third of the total, the condition is nearly 10 points below the ten-year average. The loss is even more pronounced in Oklahoma, where condition is about 40 points below last year,—practically a failure. Alabama, Mississippi, Louisiana and Arkansas will also probably have a smaller than average yield. The only section where there is an encouraging outlook for cotton is in Georgia and the Carolinas,—where the final yield will probably be well up to the ten-year average.

The crop of **all wheat** will be a bumper one and the only encouraging feature in the whole crop situation. The States where winter wheat is particularly good are Nebraska, Missouri, Illinois, Indiana, Ohio and Washington; and spring wheat is good in Minnesota and Washington, and fair in North Dakota. Among the other crops, **oats** will have a yield of about 30% less than last year; **barley**, 25%; **rye**, 2%; **buckwheat**, 10%; **potatoes**, 20%; **hay**, 15% and **apples** about 50%.

To sum up the situation in the important agricultural sections, Minnesota, North Dakota, Michigan, Ohio and the northern part of Iowa, Illinois and Indiana will probably have a good net return from all crops and **should furnish the most promising field for business.** Washington, North Carolina, South Carolina, Georgia and Texas are also states of good promise from this standpoint. **On the other hand, clients should watch credits and collections in South Dakota, Nebraska, Kansas, Missouri, Oklahoma, Mississippi and Alabama.**

To say a word about prices—**corn**, which advanced rapidly on account of drought, may go even higher. **Cotton**, which has been hanging around the 13¾ cent level, may possibly be lifted temporarily to somewhat higher prices by speculation, but the 1914 business outlook suggests heavy prices later. **Winter wheat** has reached a low level, and a rise may occur later. **Spring wheat** has held fairly even since the early part of the year, and probably there will not be any great movement either way, although chances are more in favor of a rise than a decline. **Oats** have remained firm for some months, and there is likely to be some advance later. **Barley** reached a low point during July and has since risen, and a crop smaller than last year would indicate higher prices still to come. **Rye** held steady for the first half of the year, lately advancing, and in sympathy with other grains may even rise further. **Hay** has suffered from the drought, and it is probable that the rise since the first of the year will continue somewhat longer. **Potatoes** have risen from the low level of June, and with a short crop this year, are likely to go still higher.

In some cases the farmer will not lose by the short crops, because he will receive higher prices, but taken in conjunction with the decline in business, the crop situation is very serious and is sure to cause further curtailment of the purchasing power of the consumer. Clients who have a light stock of goods will be wise in keeping them so for some time longer, until the readjustment and liquidation has been completed. Those who deal in foodstuffs, however, may lay in supplies as indicated above. Although there may be a temporary boom this fall, we look for quieter business for 1914.

Babson's.

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of the fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS, inc
On Commodities for
Merchants and Manufacturers

Confidential Bulletin
No. C 21—Oct., 1913
Wellesley Hills, Mass.

#61

COMMODITY PRICES*

Issued as a part of our

Mercantile Service

Our recent letters have been devoted either to foodstuffs exclusively, or to other commodities which are not dependent on agricultural conditions. Today we will take up miscellaneous commodities of both classes.

The iron and steel industry is one which will be affected by the new tariff and one which we follow very closely. **Pig iron,** after the steady decline from the first of the year, reached a low level in August, and since then has rallied somewhat. We see no reason for much higher prices, and expect them to remain heavy for some time longer, while general business is being liquidated and industry is becoming adjusted to the new tariff. As we have previously noted, the price of **steel** products held firm after pig iron had started downward, but in line with our continual suggestions, a decrease in orders has compelled concessions in most of these finished products and it is very likely that still further weakness will be seen.

The weather has been the principal factor affecting the price of **cotton** during the recent weeks, and while the changes have been speculatively violent and large, the present level of about 14¼ cents is probably too high to be permanent. So much, however, depends on the weather and manipulation, that the price may even go higher temporarily. The safest policy for the buyer at the present time seems to be one of conservative purchases. As fears are generally overworked by speculators, and as the price will not be subject to such violent changes after the crop is made, clients should be wise in covering their needs only for the next month or so, on soft days, instead of purchasing very far ahead. The world demand during the coming year promises to be less than last year, and this should have a depressive effect. This view takes into consideration the recent drop in condition as reported by the Government, of 4 points from last month, 5 points from a year ago and 4 points below the ten-year average.

Another commodity of interest at this time on account of tariff legislation, is **wool** and its manufactures. The price of the raw material recently rallied, but quickly fell again to its present level. Disregarding the minor fluctuations, the price will probably be heavy during 1914, while American manufacturers are getting adjusted to the new status. The price of raw **silk** has mounted rapidly and steadily since the first of the year, and may continue somewhat further in this direction on account of the shortage of raw material as compared with the increasing demands of fashion for silk yarns and fabrics. However, after further strength, it is probable that the price will soon reach a point where a downward turn is inevitable, and we expect this will take place during the next year, unless there should be an acute shortage of supply. Silks figure among the luxuries which are likely to be partially dispensed with until better times occur.

Rubber has recently excited considerable interest. In our bulletin of July third, we suggested that prices would be heavy, as the supply had shown a considerable increase and demand was likely to show some decrease. Since that time the price has had quite a drop, particularly in plantation rubber. Up-river Para has resisted the weakening tendency much better, although this grade also has fallen in price. The high point since the spectacular boom of 1909-10 was witnessed a year ago, and since then the decline has been quite continuous. We believe prices are likely to remain heavy some time longer, as the supply is very plentiful and the demand is not strong, due to the slump in general business and particularly in the automobile industry. **These price changes to lower levels have not as yet been in much evidence among retail rubber articles, but retail buyers are entitled later to expect considerable reductions.**

It is believed that the recent rise in **copper** was caused by speculative action, based on the strike and apparent low supplies. As we have suggested, this rally is not likely to continue very far, and we still believe that prices will experience a more decided drop during the coming months. Another metal which recently had a rally is **spelter,** and as we indicated in our last bulletin, this rally was only temporary and prices should again be heavy. The decline in **lumber** which students of fundamental conditions have foreseen would occur during the summer, has now reached a point where such large declines as the recent ones may not be expected, but prices should remain heavy for some time longer.

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the swings are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS on Commodities
Issued with our Sales Map for
Merchants and Manufacturers

Confidential Bulletin
No. C 23—Nov., 1913
Wellesley Hills, Mass.

COMMODITY PRICES*

Issued as a part of our

Mercantile Service

One of the purposes of these letters on commodities is to aid our clients in making purchases, and at various times we have either directly recommended a purchase, or advised holding off for lower levels. The shrewdest and most successful buyers are not those who can drive the hardest bargains, but those rather who can foresee the trend of prices.

Today we present our opinion on miscellaneous commodities. Let us first consider metals. Clients interested in **pig iron** have pursued our hand-to-mouth policy since the first of the year; and now find themselves with little or no supply of high-priced material. We believe that conservative purchases will be wise for some time longer, as we expect prices to be heavy until the liquidation in business has proceeded somewhat further. Again, since the early part of the year we have believed in lower prices for **steel** and have recommended a careful buying policy. There has been a decided drop in nearly all steel products, and we believe that such shapes as bars will not continue firm much longer. In connection with iron and steel, it is well to note the position of **coke** and **spelter**. Both of these have followed the decline in the price of pig iron this year. Both have since had a rally, and, although coke continues firm, spelter has lately shown a weakening. We expect both of these will again be heavy and that prices will drag during the next six months. A metal which in its short swings is governed largely by speculation is **tin**, which we have followed very closely. Our opinion since July has been that lower prices would be reached, and during the past few months, there has been an almost perpendicular drop, a rally recently developing. We expect, disregarding speculative movements, that the tendency will continue downward for some time longer.

Among structural materials the price of **window glass** is of interest. In earlier bulletins we suggested lower prices before the end of the year. There has been some weakening in large eastern centers since then, although recently prices have been firm. This firmness may continue longer, but we believe that lower prices throughout the country will be witnessed. In the spring **lumber** experienced its usual seasonal rise, which was followed by a decline. Those who have been studying fundamental conditions have not been caught with large stocks. Recently there has been some firmness in price, but probably there will be a further drop during the coming months, and as building and real estate are likely to show a decline during 1914, lumber at that time may go as low as last year or even lower.

To turn to some of the foodstuffs and provisions: owing to a short crop we think that clients who are interested in **potatoes** should buy them now, as prices should be higher in the next few months. This also applies to **apples**. The price of **corn** has mounted rapidly, and may go higher in the next month or two. However, we would not be surprised to see a recession during the winter, followed by a rise in early spring. A top price will probably be witnessed some time in the spring. On the other hand, as a result of the large crop, the price of **wheat** has been heavy for some time. It is reasonable to suppose that the price will not go very much lower and may even turn upward before long. Purchases made at the present time ought to turn out well. **Oats** have remained at an even level for some time, and a great change is hardly to be expected. However, if prices move at all, we expect the tendency to be upward rather than downward. As to the less important grains, our August bulletin indicated that **rye** and **barley** would advance, and since then there has been quite an upward swing, which may continue.

Conditions generally, at the present time, suggest conservatism on the part of purchasing agents, except in special cases where there are decided "bargains." The prices of foodstuffs and provisions depend not alone on fundamental business conditions, but largely on their crop yields, the size of which is now known. Commodities that do depend on the

*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the temporary fluctuations are governed by other as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS on Commodities
Issued with our Credit Map for
Merchants and Manufacturers

Confidential Bulletin
No. C 24—Nov., 1913
Wellesley Hills, Mass.

CROP COMMODITIES*

Issued as part of our

Mercantile Service

In view of the fact that we have not discussed the important foodstuffs and other commodities for some time, and as most of our clients are interested in them, we will take them up in this bulletin.

Among the important crops there is a shortage of corn, cotton, hay, potatoes, oats, barley, rye, buckwheat, flaxseed and tobacco. The only foodstuff of importance which is larger than last year is wheat, which this year is a bumper crop. The combined yield of all crops including the minor ones is nearly 15% smaller than last year and about 6% smaller than the average. The final result is somewhat better than early reports indicated. **Very excellent crops occurred in Florida, Wisconsin, Minnesota, and Arizona; and other good states following close behind are Virginia, the Carolinas, Nevada, Idaho, Washington and Oregon. The harvests were quite short in Illinois, Missouri, Nebraska, Kansas, Kentucky and Oklahoma.**

To take up some of the important crops separately, **corn**, of which we grow 85% of the world's supply, showed the most disappointing yield since 1903. The weather conditions for this grain improved during October, and although the crop is very short, yet there has been a substantial gain over early indications. In some sections such as the Central States and the Southern Atlantic and Gulf States, the production is as large or larger than last year, and business in those places will be benefited thereby. The price has risen steadily during the year, and while it may recede somewhat during the winter, it should go higher in the spring before a definite downward trend becomes evident. Argentina will be a factor for a while and must be considered in this connection.

Private estimates of the **cotton** crop are widely divergent this year, varying from 13,000,000 to 15,000,000 bales. It is probable that the final figure will not be far from 13,750,000 bales including linters. A crop of this size would not normally be enough for consumptive requirements, but during the balance of this year and in 1914, a world-wide recession of business is likely to cut down the demand so that this supply will be sufficient, in spite of the fact that there are short stocks of cotton yarns and finished fabrics. The price has moved between limits of about 12c and 14¾c during the year, with a recent weakening to a point near 13c, and we think that prices not over 13c or thereabouts will be the level at which the bulk of the crop will be sold.

As previously suggested in this bulletin, the crop of **all wheat** is a bumper one, the yield being 753,233,000 bushels. The prices of spring and winter wheat, which earlier in the year were about 15c apart, have come nearer together, and for the next few months will probably move in sympathy. The price is greatly affected by the production in other countries, which this year is about 4% greater than last year. The crop of Argentina, though comparatively small, has an important bearing in midwinter because it comes onto the market later than the crops of other countries. It is still an uncertain factor, and should be watched by clients interested in wheat. The large world crops and high money rates have forced early shipments to market and have caused the price to decline to its present level. While it may remain heavy for a while longer, it seems very likely that a rise will follow later.

Among the other crops, **hay** has rallied from the low point of last year. The short crop will probably hold prices fairly steady during the winter months, and they may even go higher. Most of the states are suffering from shortage of **potatoes**, but the few states that fare the best in this respect are Maine, Virginia, Georgia and Wisconsin. The price has risen from the low point of last year, although there was a temporary loss in midsummer which was later regained. It is probable on account of the short crop that higher prices will be seen before spring. Notwithstanding the fact that the acreage devoted to **oats** was larger in the United States this year than ever before, the crop is short of the extraor-

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the temporary fluctuations are governed by other causes as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—Roger W. Babson.)

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BABSON'S REPORTS on Commodities
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THE PRESENT SITUATION*

Are You Making Your Quota?

Issued as part of our

Mercantile Service

Our clients have noted that, except in the case of foodstuffs, we are in a period of declining commodity prices. In this bulletin we will touch on several of the leading commodities.

As is well known, the iron and steel industry is very dependent upon general business, and the continuous decline in production since the first of the year was not unexpected by students of fundamental conditions. It is probable that the decrease in new building which is evident throughout the country, and also the curtailing of industrial extension, will cause a still further shrinkage in iron production; and another factor of importance is the foreign competition, which is already being felt. The price of pig iron will probably drag for some time longer, and we do not advise purchases at this time except for immediate needs. As to steel products, these resisted the downward tendency longer than did pig iron; but during the last few months prices have begun to slump, as we have been expecting since the first of the year. We believe this movement will continue to lower levels before a halt is made, and clients should continue to buy very carefully.

Copper is another metal which is greatly dependent on general business conditions, but which does not follow so consistently the rise and fall of demand as does iron, because the price is governed more by speculation. Those who operate the mines are closely allied with those who operate the movement of the shares in the stock market. From 1908 to about November, 1911, the price of copper did not fluctuate greatly, the extreme being from about 12c. to 14½c.; since November, 1911, however, the price has had a steady rise to about 17½c. This level was maintained for the last half of 1912; but during this year it has fallen off, although there have been several temporary rallies, the last one carrying the price from 14½c. to 16½c. **The past month witnessed a recurrence of weakness, and in accordance with our repeated suggestions, we again advise clients to confine their purchases to immediate requirements. There is nothing in the situation which would warrant a rise in price.** It is true that the stocks of copper are low and that there have been strikes in the two most important producing regions, — namely, those in Michigan and in Spain. However, the greatest factor to be considered at present is that of demand, and as quiet business will probably be seen in 1914, the fall in demand for copper is likely to be greater than the decrease in stocks on hand, so that prices should drop still more.

A large crop of cotton would undoubtedly have sent prices close to the 10c. level; but what the size of the crop will be is still uncertain. Our own idea is that the final yield will be about 14,000,000 bales, and that this would not be sufficient for ordinary demands. However, business has already experienced a slowing down, and although cotton manufactures do not seem to be affected until some time after other industries, still they are sure to feel the effect of this decline later on. Indications throughout the world point to dull business during next year, for already on the Continent there is less demand for the staple from cotton mills. The dullness will probably become more apparent in England and in this country during the coming months, and should be sufficient to curtail the demand to a point where a crop of only 14,000,000 bales would be sufficient. **As to the price, we think that the high point of the movement was recently reached, when spot cotton went to over 14c. There were but few sales made at that price, except to speculators, and clients who use this commodity should not buy it at the present levels except for present use. We believe that the hand-to-mouth policy which we have steadily advised should be continued.**

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the temporary fluctuations are governed by other as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS on Commodities
Issued with our Credit Map for
Manufacturers and Jobbers

Confidential Bulletin
No. M 26—Dec., 1913
Wellesley Hills, Mass.

COMMODITY SITUATION*

Issued as part of our

Mercantile Service

Clients who have the responsibility of purchasing commodities are watching the present period of declining prices very carefully. To take up a few of the important commodities, let us first note the position of some of the metals.

The price of **copper** has been steadily dropping during the past few weeks, and still further weakness is probable owing to the slackening demand. Purchasers of **iron and steel** need not now be in a hurry to anticipate their requirements, as both are likely to be heavy, and steel products will probably go considerably lower. The demand for all kinds of finished products is greatly curtailed, and although there have been many rumors of purchasing by the railroads, we believe that they will buy at present only for immediate needs of upkeep, although they probably would enter the market for a large amount if they could. In the latter part of 1912, **tin** reached a record high level but the price has declined considerably since that time with many intermediate fluctuations, so that it is now about 171£ for "Prompt Straits" at London. A further slump is likely before the downward movement is checked, and although it may not go so low as in 1908, still considerably lower levels may yet be seen before a definite upward trend is evident. **Aluminum** is a metal which is coming to be used for various purposes in large quantities. From about 37½c. in 1906 and 1907, the price gradually fell to 18½c. in the early part of 1912. Since that time there was a rally to 27c. in November, 1912, and then a decline to about 20c. recently. As the earth's supply of this metal is very abundant, the price variations, therefore, are controlled chiefly by demand; and because quieter business in those trades which use aluminum is expected for 1914, we believe in lower prices than have been witnessed so far this year.

Of interest to nearly all clients is the price of **bituminous coal.** To anticipate accurately the trend of prices for this commodity is practically impossible, as a study of prices for many years will show. However, at the present time those interested in this commodity should bear in mind that the price has remained stationary since the first of the year, and at a level which is comparatively high for recent years. With a smaller demand from manufacturing industries, it would be natural to expect some weakening of prices during the spring months. However, clients should especially bear in mind that the operators' agreement with the miners expires on March 31, 1914, and as there may be a strike or a long period of negotiation at that time, prices may go even higher, the extent of this movement depending on the actual outcome of the negotiations. Thus there are two opposing factors bearing on the price question and we urge clients to watch this situation carefully.

In textiles our manufacturers are struggling to adjust themselves to the new duties, and now that free **wool** is in effect, experimenting with foreign wools will be practised by Americans for some time. On the other hand English and Continental manufacturers, who are strangers to the American wools will be employed in trying these out. Therefore, this period is naturally one of readjustment for our woolen manufacturers, owing chiefly to tariff changes but also to quieter business which is being felt in all lines. **With a wider and more severe competition, the prices of wool and its manufactures may be expected to drag for some time, and many of them will go lower. The selling season for finished fabrics is just starting and will continue during the first months of 1914. It will be the first time since the 90's that the American manufacturer has experienced the full effect of European competition, and it should soon be decided quite definitely on which fabrics American mills can best compete with foreign mills.**

That other important textile product, **cotton goods,** has been in an uncertain state, not only on account of the tariff reduction, but also on account of the fluctuation in the price of raw material. The price of the staple has declined from the 14c. level recently seen, and although it still resists the weakening tendency in a remarkable way, yet there seems to be no reason why the price should remain long above 13c. With a crop anywhere above 14,000,000 bales and with a recession in business, the price should go considerably lower. The prosperity of

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be based upon larger factors, because the temporary fluctuations are governed by other as well as fundamental causes. Nobody can predict the exact time of a recession between an intelligent and an unintelligent guess, and it is for this reason that I subject this report.—See Page 27, Babson.)

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BABSON'S REPORTS on
Commodities and Opportunities
For Merchants and Manufacturers

Confidential Bulletin
No. W. 10—Oct., 1913
Wellesley Hills, Mass.

Changes in the World's Outlook*

Issued as part of our

Mercantile Service

Clients will note from this month's map that the effects of tight money are now nearly world-wide. This condition of affairs originated, as is naturally the case, in the great money markets like London and Paris, where, to a large extent, the world's commerce and trade is financed, and it was precipitated by political troubles in the south of Europe. The "rich man's panic," as many Europeans called it, started from some European centers, and, following along the principal trade routes, has already affected many of the countries directly reached thereby. Thus it will be seen by a glance at the World Map, that the yellow areas no longer predominate, but that they are rapidly changing to green, and even to blue.

We will devote our chief attention in this review to those countries which have shown a considerable change from the conditions prevailing a few months ago. **However, we urge clients to note that business in Canada continues on the downward trend and that this is true also, to a large extent, in the United States and the principal European countries except Scandinavia.** Thus clients will note that there are fewer territories where the business outlook is now really satisfactory. It must be remembered, however, that such readjustments are necessary and that the various countries will gradually recover from the tight money period and will then offer excellent business opportunities.

South America—Many parts of South America have felt the effects of the monetary stringency, and among these, Brazil, Argentina and Uruguay have been the hardest hit. In Argentina, trade is still depressed and there have been many and important failures. These, however, occurred in spite of a large gross business. The production of sugar has been greater than for many years, as is also true of several of the other crops. The main factors of the situation here, however, are the very high cost of living, with a diminishing margin of profit in most lines of business, and the remarkable stringency in funds. Trade in Uruguay is also depressed, and many failures are reported. In Brazil, however, apart from the unfavorable rubber situation, trade is rather more cheerful than was the case a month ago. The main difficultues in the Brazilian situation are,—(1) the low price of coffee, (its staple crop),—(2) the very high money rates demanded from all classes of borrowers. In addition, there is little doubt but that the Nation's finances have been seriously affected by the present money rates. In Chile, on the other hand, the financial situation has greatly improved during the last few months, money rates are easier, and this is reflected in a more favorable bank account. Business has also improved, the crops have been good, and the prospects for the coming year are considerably more favorable.

The present unfavorable situation in South America, however, as we have pointed out before in these letters, is only temporary, and with the readjustment in the world monetary position and with the opening of the Panama Canal, the credit situation should become much stronger, and clients should then find many trade opportunities in the southern continent.

South Africa—The Union of South Africa has experienced several years of great prosperity, but this expansion has tempted organized labor to make demonstrations and the resulting strikes and labor unsettlement, together with high money rates and high cost of living, have brought about a recession—at least for the time being.

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BABSON'S REPORTS on
"Commodities and Opportunities
For Merchants and Manufacturers

Confidential Bulletin
No. W. 11—Nov., 1913
Wellesley Hills, Mass.

Important Features in the World's Outlook*

Issued as part of our

Mercantile Service

There are but few countries in the entire world today where the commercial, financial and economic situation can be said to be generally good. The nations mentioned in the following review are at present more or less in the public eye and some of them are enjoying comparatively satisfactory conditions.

The past month has witnessed a continuation of the world-wide decline in business which, on the surface, was apparently caused by a lack of ready funds, but which, fundamentally, is the result of past years of over-extended business, dissatisfied labor, and a gradual breaking away from habits of thrift and economy. **The fundamental conditions have been so weakened thereby, that the recent political disturbances and increasing military taxation, with the resulting distrust and withdrawal of money from circulation, have brought about the inevitable slump.**

RUSSIA—Russian crops on the whole have been satisfactory, and this means much for this nation. General business conditions throughout the country may be considered quite satisfactory, especially when compared with most other sections of Europe. The textile trade has been slowly improving, and it is particularly noticeable that the iron industry in Russia has resisted the downward tendency in this trade now felt in most other countries. In Poland smelting works are doing a big business with substantial profits, and present indications point to a period of prosperity in all the iron trades. Although Russia will be influenced to a greater or less extent by external circumstances, yet its own improved fundamental situation will aid it to resist these outside unfavorable conditions.

BULGARIA—Business in this country is still suffering from the effects of the continued warfare which raged for over a year. There has, however, been a slight improvement of late in the credit situation. The banks report that business is improving slowly. Some of the bills which have been so long outstanding are being met, and the outlook in almost all parts of Bulgaria is for gradual improvement.

GREECE—In Greece, on the other hand, the after effects of the war have led to a general depression, and here clients interested should exercise great caution in regard to credits, and in discounting bills. This particularly applies to wholesale firms.

BRAZIL—This country has been suffering acutely from the financial crisis which was accelerated by decreasing coffee and rubber prices. It is reported here that trade has recovered somewhat, and is stimulated by the more or less speculative advance in coffee prices from the low point in the depression. Brazil's future prosperity, however, lies principally in the exploitation of its other agricultural products and industries which up to now have received only scant attention. These industries, such as the manufacture of tobacco and cigars, sugar, flour, boots, shoes, and beef may profitably be developed. The raising of cattle on a large scale, and manufactures of textiles, rubber goods, cement and paper are increasing steadily and are capable of much greater development.

AUSTRALIA—In connection with Australia, clients should bear in mind that with the completion of the trans-Australian railway which will connect the east and west coasts of the Commonwealth, a new district will be opened up to trade. The line will be over

(*Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. Therefore, that the forecasts of immediate price movement should be looked upon largely as guesses, because the elements of fluctuations are governed by other as well as fundamental causes. However, I believe there is a great difference between an intelligent and unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS on
Commodities and Opportunities
For Merchants and Manufacturers

Confidential Bulletin
No. W. 12—Dec., 1913
Wellesley Hills, Mass.

THE WORLD OUTLOOK

Issued as a part of our

Mercantile Service

It is now apparent that the period of abnormally high money rates is drawing to a close. This is due, however, to the inevitable liquidation in business which has now begun in practically all parts of the civilized world. Clients will note that there are very few countries where the effects of a period of over-extended fundamental conditions are not now seen in tight money, numerous failures, and falling prices.

We will commence with **England** and work eastward. Trade is steadily decreasing in the **British Isles**; the iron, steel and cotton trades especially are becoming depressed, and less men are finding employment. Woolen manufacturers, however, expect to profit by United States tariff changes. In **France**, trade, although comparatively steady, is now gradually receding, and French finances are in bad shape. Again, the French vintage has been unsatisfactory.

German trade is rapidly slowing down, and such industries as the iron, steel, coal, cement, woolen, cotton and building trades show a substantial recession. There are more men out of employment compared with last year. Money, however, is becoming more abundant, and with a continuance of quieter business, it should gradually become still easier. The raw silk market of **Crefeld** is quiet. Conditions in **Saxony**, however, are fair, while in **Belgium**, the decline in the iron and steel trade has halted temporarily, and the outlook for the coal industry is more favorable.

Trade in **Norway** still flourishes, and this is true to a certain extent in **Denmark** and **Holland**. The export trade of **Sweden** is favorable, but stock prices are beginning to fall, which probably portends an eventual slowing down in business. **Austria** continues in a state of depression, the building trade especially being affected. Politics and labor are very unsatisfactory, and the general outlook appears discouraging for the present. As to **Italy**, business there is fairly well liquidated, and the improving monetary situation should cause better business. The late harvest was excellent and the outlook for next year's crops so far is satisfactory. Again, **Spain** is rapidly waking from her mediæval sleep and we respectfully call the attention of clients to the fact that a new and promising market is in the making in this country. Moreover, the late harvests were very satisfactory. Trade conditions in the **Balkan Peninsula** are, of course, rather thoroughly liquidated. It is now reported that merchants especially in **Bulgaria**, are beginning to meet their liabilities, while in **Turkey**, and especially Constantinople, money is circulating more freely and the outlook is for a trade revival in the near future.

Trade in **Russia** is generally active, as the late harvest was decidedly favorable. There are some exceptions to this, however, such as in the Moscow district where manufactured goods markets are quiet. Estimates for the next sugar beet crop are promising; but for grains are, so far, less satisfactory. The near future of this country will probably be disturbed by political turmoil, and clients should especially watch this movement. Trade is active in **Algeria**. As to **Egypt** the estimates of the cotton crop are varied and an average estimate is 7,000,000 bales which is some 500,000 bales under last season's crop. In the **Malay Peninsula**, trade is depressed by tight money and low prices for tin and rubber; and the outlook is still unsatisfactory. Low rubber prices

*"Personally, I am interested only in the trend of business over a sufficiently long time to enable changes to be anticipated with certainty by a study of fundamental conditions. I believe that all forecasts of immediate price movements should be looked upon largely as guesses, because the temporary fluctuations are governed by other as well as fundamental causes. However, I believe there is a great difference between an intelligent and an unintelligent guess, and it is for this reason that I submit this report.—*Roger W. Babson.*)

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BABSON'S REPORTS
On Stocks and Similar Securities

Wellesley Hills, Mass.
No. 10—May, 1913

THE PRESENT SITUATION*

Louisville & Nashville Railroad Company

Issued as part of our

Investment Service

So long as "a bird in the hand is worth two in the bush," it is to be expected that stock market traders will attach a larger value to temporary local conditions than to factors which prove determinate of values hereafter. The things likely to influence prices now engross attention to the partial disregard of weightier considerations relating to the future, as note the emphasis paid last week to the brief time given to the Union and Southern Pacific Railway people in which to "unmerge" the interests of the companies; and the lack of emphasis placed upon the splendid weather reports from the farming regions of the Great West.

The extension of the time to July 1, within which the $126,500,000 Southern Pacific stock in the treasury of the Union Pacific Company must be disposed of, is a mere incident; whereas the crop item is of major consequence for its bearing upon the future prosperity of the railroads and the country in general. Why traders should take the narrow range view is, of course, plain. Operators in the share market are ever alert to discover impending transactions, either to buy or sell; and to see so enormous a block of stock as this to be disposed of in a period of about eight weeks—or at least a plan for disposal formed—excites apprehension, almost consternation. Hence, the attacks by professional traders upon Union and Southern Pacific shares during the past week, and the decline in the latter stock to the lowest price in very many years.

If one or two leading issues can be weakened by attack, it is often easy to depress the entire list of active issues; and that is what was lately done. It distressed the operators that Europe failed to come a large buyer of American stocks upon the yielding up of Scutari to the powers by Montenegro, since that was recognized as practically the final difficulty in the way of restoring peace in southern Europe, the assumption being that as soon as peace was assured, gold would come out of hoarding in continental Europe and the money tension of the world would be relieved.

However, just as this hope was beginning to flower, France again came an an importer of gold from the United States in blocks of $2,000,000 each, four such blocks having been arranged for as a beginning of this latest movement of the precious metal out of New York to the French capital. This makes $31,000,000 gold obtained for Paris from the metropolis of this country, and a little over $54,000,000 shipped out of the country, so far this year. To what extent this latest movement is important is a matter of opinion. For one thing, gold serves as a basis for credit, and it is noted that the surplus of the banks of the United States has declined materially while the loans have expanded, thus weakening the position of lenders.

It is not apprehended that difficulty will be met in financing the ordinary wants of business, at least not until the demand for moving the crops shall arise in late summer or the fall, but it is felt that money may be pretty dear in the

*Personally I am interested only in the long swings of three or more years, and believe that neither I nor any one else knows what the stock market will do in the immediate future. I therefore trust that my clients will could risk and wait to invest in stocks until there is a distinct slump. When this time comes I will definitely advise in the Barometer Letters which will contain all information relative to the long swing. Meanwhile I will continue to advise the purchase of certain stocks at prices named once in two weeks. Therefore submit this service confidently to be welcomed by the leading disinterested stock market expert in the United States, who recommends the application his exclusive services. My Engineering Department believes the securities which are recommended from time to time on the third and fourth pages to be attractive purchases at the prices named, and that ultimately they should show a good profit. They may sell lower after we advise their purchase and higher after we advise their sale, but clients who have followed these letters have invariably made money. Therefore, although in order to pay for this service and keep the mind occupied, clients are justified in backing these suggestions with a portion of their funds, yet the greater portion of one's money should still be kept in liquid form for use in distinct slumps, which will give far greater reward than can in any other way be obtained.—*Roger W. Babson.*

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• CENERAL SUMMARY

PANIC —DEPRESSION— PROSPERITY

Mercantile Conditions			Banking Conditions			Investment Conditions		
Dates	CLEARINGS, FAILURES, CROPS, ETC.	RAILROAD EARNINGS, NEW CONSTRUCTION, WAGES, ETC.	MONEY RATES AND SURPLUS RESERVES	Dates	FOREIGN TRADE AND GOLD MOVEMENTS	PRICES, TRANSACTIONS, AND NEW SECURITIES	POLITICAL AFFAIRS AND OTHER FACTORS
1860	Fair grain and cotton crops with high prices.	Large clearings, but increase ceases. Wages high.	High rates. Clearing House certificates in November.	1860	Balance of trade considerably adverse.	A distinct drop in prices of stocks.	Lincoln elected. South Carolina secedes.
1861	Many failures. Great decrease in clearings, etc.	Very few immigrants. Little building.	High rates and further certificates. Suspension of specie payments.	1861	Heavy gold movements.	Further decline followed by better prices in the fall.	Civil War begins. Morril tariff enacted.
1862	Clearings increase. Failures decrease.	Railroads prosper. Wages increase.	Paper money inflation, with low rates.	1862	Little foreign trade.	Stocks advance in price. Transactions increase.	Civil War continues. Dissensions in Cabinet.
1863	Great increase in clearings and decrease in failures.	Earnings increase. Immigration increases.	Inflation of currency. National Bank Act passed.	1863	Further gold exports.	Fever of speculation. Advance continues.	Northern troops successful. Internal Revenue Act passed.
1864	Tremendous increase in clearings and prices.	Railroads increase dividends. Wages high.	Further inflation. Higher money rates.	1864	Further gold exports. Increased imports.	Insiders sell. Prices decline.	Lincoln re-elected, Grant's campaigns.
1865	Large clearings, but increase ceases. Increase in failures.	Consolidations and erratic earnings.	Paper money contraction. Reserves increase.	1865	Money rates cease to increase.	Ten stocks fell from $158 to $125. Panic conditions.	War ends. Lincoln shot. Great uncertainty.
1866	A dull year. Commodity prices decline. Many failures.	No building and little immigration.	Lower money rates. Improved banking conditions.	1866	Increased foreign trade. Less gold exports.	Ten stocks fell to $99. Buying begins.	Civil Rights Bill. War in Europe.
1867	Another dull year. Good wheat crop.	Better earnings. More building. Low wages.	Lower money rates, although high in October.	1867	Increased cereal exports. Less gold exports.	Ten stocks again decline to $98. Rally follows.	Alaskan purchase. New territories opened.
1868	Increasing activity. Good crops. Failures decrease.	More railroad building. Increase in iron production.	Money rates advance slightly.	1868	Exports decrease and gold exports again increase.	Ten stocks advance to $147. Market becomes active.	Presidential election. Republicans successful.
1869	Good crops. Fewer failures. Great increase in clearings.	Union Pacific completed. Wages increase.	Money rates firm.	1869	Gold exports decrease.	"Black Friday" panic. Ten stocks average $150.	Currency legislation. Great "Westward Movement."
1870	Good crops, but no increase in clearings.	More railroad building and increased immigration.	Money rates continue firm.	1870	Increased foreign trade. Heavy gold exports.	Irregular market. Insiders selling.	Currency legislation. Franco-Prussian War.
1871	Fair crops and clearings. Chicago fire.	More railroad building but immigration decreases.	Money rates increase.	1871	Gold exports increase.	Panic conditions hastened by the Chicago fire.	Corruption in politics. Tweed Ring exposures.
1872	Increased iron production. Boston fire.	Less building. Many strikes. High wages.	Bank reserves low. Money rates become high.	1872	Further gold exports.	Speculation active. Manipulation in stocks. Insiders sell.	Tariff revised. Presidential election.
1873	Increase in clearings ceases. Fair crops.	New building ceases. James Fisk shot.	Money panic. Clearing House certificates.	1873	Banks fail. Few gold exports.	Stock Exchange closes. Panic conditions.	Credit Mobilier Scandal. Silver demonetized.
1874	Decrease in clearings. Increase in failures.	Railroad receiverships. Adverse legislation.	Money rates decline. Surplus reserves increase.	1874	Gold exports resumed. Foreign trade normal.	Irregular and declining market.	Political investigations. Prominent promoters prosecuted.
1875	A very dull year. Commodity prices decline.	Continued decrease in earnings. No new building.	Money rates continue to decline.	1875	Balance of trade in our favor.	Irregular and declining market.	Specie Payments Act. 2nd Civil Rights Bill.
1876	Failures continue to increase signifying further liquidation.	Rate war and strikes. Further decrease in earnings.	Very low money rates. Large bank reserves.	1876	Balance of trade in our favor. Decrease in gold exports.	Ten stocks average only $62. Market very dull.	Presidential election. Hayes-Tilden dispute.
1877	Another dull year. Prices still falling. Good crops.	Wage reductions followed by strikes.	Low money rates. Large surplus reserves.	1877	Balance of trade in our favor. Decrease in gold exports.	Ten stocks decline to $42. Rise starts.	Hayes inaugurated. Silver agitation.
1878	Good crops. Prices continue low. Confidence returns.	Railroad earnings increase. New building begins.	Continued low money rates. Banks buy bonds.	1878	Gold imports exceed exports. Trade balance in our favor.	Market advancing. Transactions increase.	Bland-Allison Silver Bill. Change in Bankruptcy Law.
1879	Clearings increase. Good crops. Failures decrease.	Earnings continue to increase. More building.	Resumption of specie payments. Normal money rates.	1879	Trade balance decreases but gold imports continue.	Advance continues. Transactions double.	British-Afghan War continues.
1880	Great crops. Great increase in clearings.	Earnings increase. Consolidations. Great increase in immigration.	Decrease in surplus reserves. Money rates slightly increase.	1880	Further gold imports due to large cereal exports.	Market irregular. Transactions increase.	Presidential election. Afghan War continues.
1881	Universal prosperity. Poor grain crop.	Trunk Line rate war. "Amer. Fed. of Labor" organized.	Very low surplus reserves. Money rates increase further.	1881	Trade balance decreases. Gold imports.	Ten stocks average $137. Tremendous transactions.	Garfield shot. Government refunding operations.
1882	Large clearings. Higher prices. Good crops. Few failures.	Railroads very prosperous. Increase in immigration.	Money rates become high. Bonds decline in price.	1882	Very small trade balance. Gold exports resumed.	Many new issues. Insiders begin to sell. Tremendous transactions.	De Lesseps begins Panama canal.
1883	Last year of prosperity. Decline in immigration.	Large earnings. Competitive building.	Money rates very high. Banking situation unsound.	1883	Small trade balance. Gold purchased from abroad.	Liquidation of insiders continues. Stocks gradually decline.	Tariff and Internal Revenue laws revised.
1884	Increase in clearings ceases. Increased failures. Fair crops.	Earnings decrease. Bldg. ceases. Plants shut down.	Banks fail. Clearing House certificates issued.	1884	Trade balance increases. Gold exports.	Ten stocks suddenly drop to $80. Many large failures.	Cleveland elected president by Democrats.
1885	Great decline in clearings. Failures increase. Fair crops.	Poor earnings. Little building. Rate war settled.	Very large surplus reserves. Money rates decrease.	1885	Gold imports again exceed exports.	Ten stocks range from $85 to $113. Advance follows.	Silver agitation. Bulgarian-Servian War.
1886	Clearings increase. Low prices. Failures decrease.	Increased earnings. Active building. Strikes begin.	Low money rates. Banks buy bonds.	1886	Trade balance decreases and gold exports increase.	Ten stocks range from $102 to $123.	Haymarket Riots in Chicago.

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COMMITTEE FOR ECONOMIC DEVELOPMENT

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MANUAL
FOR
INDUSTRIAL CORPORATIONS

Prepared by

The Field Development Division
of the
Committee for Economic Development

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"THE THREAT TO OUR NATIONAL SECURITY"

an address by
JAMES B. CONANT
President of Harvard University
and Trustee of the Committee for Economic Development
at the November, 1952 Meeting of the CED Board of Trustees in New York

THE COMMITTEE FOR ECONOMIC DEVELOPMENT

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CONFIDENTIAL REPORT

April 8, 1942

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